CITY OF SYLVANIA, GEORGIA

AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2014

City of Sylvania, Georgia
Annual Financial Report
For the Year Ended December 31, 2014

TABLE OF CONTENTS

	Page
Financial Section	
Independent Auditors' Report	4
Management's Discussion and Analysis (Unaudited)	6
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Proprietary Funds:	
Statement of Net Position	21
Statement of Revenues, Expenses, and Changes in Fund Net Position	22
Statement of Cash Flows	23
Notes to the Basic Financial Statements	25
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – *General Fund*	50
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – *UDAG Fund*	51
Notes to the Required Supplementary Information	52

Page

Supplementary Information
Combining and Individual Fund Statements and Schedules:
Governmental Funds
***General Fund*:**
Comparative Balance Sheet 53
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances 54
***UDAG Fund*:**
Comparative Balance Sheet 55
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances 56

Nonmajor Governmental Funds
Combining Balance Sheet - By Fund Type 57
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - By Fund Type 58

Nonmajor Special Revenue Funds:
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances 59
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual 60
Confiscated Assets Fund
Comparative Balance Sheet 61
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual 62

Nonmajor Capital Projects Fund - SPLOST
Combining Balance Sheet 63
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances 64
2007 SPLOST Capital Projects Fund
Comparative Balance Sheet 65
Schedule of Revenues, Expenditures and Changes in Fund Balances 66
2013 SPLOST Capital Projects Fund
Comparative Balance Sheet 67
Schedule of Revenues, Expenditures and Changes in Fund Balances 68

Page

Proprietary Funds
Enterprise Funds
Major Enterprise Funds
Water and Sewer Fund
Comparative Schedule of Net Position 69
Comparative Schedule of Revenues, Expenses and Changes in Fund Net Position 70
Electricity Utility Fund
Comparative Schedule of Net Position 71
Comparative Schedule of Revenues, Expenses and Changes in Fund Net Position 72
Gas Utility Fund
Comparative Schedule of Net Position 73
Comparative Schedule of Revenues, Expenses and Changes in Fund Net Position 74
Sanitation Fund
Comparative Schedule of Net Position 75
Comparative Schedule of Revenues, Expenses and Changes in Fund Net Position 76

Special Reports Section

Schedule of Hotel/Motel Tax 77

Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds 78

Government Auditing Standards Section

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* 79

CAINES HODGES
CERTIFIED PUBLIC ACCOUNTANTS

Donald T. Caines, CPA
Carlton H. Hodges, CPA

Caines, Hodges & Company, P.C.
200 E. Saint Julian Street • Suite 603
Savannah, GA 31401
Tel: (912) 233-6383
www.caineshodges.com

Member American Institute of Certified Public Accountants
And Georgia Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council
City of Sylvania, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Sylvania, Georgia, as of and for the year ended December 31, 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.

Report on 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sylvania, Georgia, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-14 and 49-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sylvania, Georgia's basic financial statements. The combining and individual fund statements and other schedules, (pages 52 though 75), including the Schedule of Hotel/Motel Tax and the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included on pages 52 through 75 is the responsibility of management and was 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, this information 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 June 17, 2015, on our consideration of City of Sylvania, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sylvania, Georgia's internal control over financial reporting and compliance.

Caines, Hodges & Company, P.C.

June 17, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Sylvania, Georgia's (the City) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the calendar year ended December 31, 2014. We discuss and analyze the City's financial performance within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities by $11,928,019 (net position) for the calendar year reported.
- Total net position is comprised of the following:
  (1) Net investment in capital assets, of $8,066,807 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  (2) Net position of $1,265,652 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net position of $2,595,560 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of $2,101,497 this year. This compares to the prior year ending fund balance of $2,191,090 showing a decrease of $89,593 during the current year. Unassigned general fund balance of $817,940 for calendar year 2014 shows a decrease of $145,356 from the prior year balance.
- At the end of the current calendar year, unassigned fund balance for the General Fund was $817,940 or 29% of total General Fund expenditures.
- Overall, the City's financial position has declined due to the decline in the electric utility but due to significant reductions has begun to stabilize.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position.* This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities,* which reports how the City's net position changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or

paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by property taxes and sales taxes from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, and streets. Business-type activities include the water and sewer system, the electric system, the gas system and sanitation services.

The government-wide financial statements are presented on pages 15 & 16 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term calendar accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 17-20 of this report.

Individual fund information for non-major governmental funds is found in combining and individual fund statements in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The four City proprietary funds are classified as enterprise funds. The enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization for water and sewer, gas and electric utilities and sanitation services.

The basic enterprise fund financial statements are presented on pages 21-24 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning some of the City's budget presentations as well as some comparative information. Budgetary comparison schedules for all other governmental funds can be found in a later section of this report. As discussed, the City reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report beginning on page 53.

Financial Analysis of the City as a Whole

The City's net position at December 31, 2014 is $11,928,019. The following table provides a summary of the City's net position:

Summary of Net Assets

	2014			2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current assets	$ 1,229,838	$ 7,668,609	$ 8,898,447	$ 1,338,047	$ 6,408,464	$ 7,746,511
Restricted assets	1,220,464	731	1,221,195	1,125,299	723	1,126,022
Capital assets	3,095,217	5,108,517	8,203,734	3,213,294	5,227,198	8,440,492
Total assets	5,545,519	12,777,857	18,323,376	5,676,640	11,636,385	17,313,025
Liabilities:						
Current liabilities	358,771	5,430,840	5,789,611	270,558	4,970,647	5,241,205
Long-term liabilities	288,751	316,995	605,746	328,692	383,317	712,009
Total liabilities	647,522	5,747,835	6,395,357	599,250	5,353,964	5,953,214
Net position:						
Net investment in capital assets	3,017,874	5,048,933	8,066,807	3,134,984	5,086,841	8,221,825
Restricted	1,264,921	731	1,265,652	1,210,473	723	1,211,196
Unrestricted	615,202	1,980,358	2,595,560	731,933	1,194,857	1,926,790
Total net position	$ 4,897,997	$ 7,030,022	$ 11,928,019	$ 5,077,390	$ 6,282,421	$ 11,359,811

The City continues to maintain an adequate current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 3.43 to 1, which is a decrease from 2013 due to a decrease in cash and an increase in accounts payable. For business-type activities, the current ratio is 1.41 to 1 due to an increase in investments and receivables. For the City overall, the current ratio is 1.54 to 1.

The City reported positive balances in net position for governmental and business-type activities. Net position decreased $179,393 for governmental activities and increased $747,601 for business-type activities. The City's overall financial position has been declining but due to significant cutbacks it has begun to stabilize. The City continues to be threatened financially due to the volatility in the energy market, which could result in a decrease in the operating profits of the electric and gas utilities.

Note that approximately 62% of the governmental activities' net position is invested in capital. The City uses these capital assets to provide services to its citizens. However, with business type activities, the City has invested approximately 72% of its net position in capital. Capital assets in the business-type activities also provide utility services, but they also generate revenues for this fund. Sixty-eight percent of the City's total net position is included in capital assets.

The following table provides a comparative summary of the City's changes in net position:

Summary of Changes in Net Position

	2014				2013			
	Governmental Activities	Business-type Activities	Total	Percentage of Total	Governmental Activities	Business-type Activities	Total	Percentage of Total
Revenues:								
Program:								
Charges for services	$ 279,075	$ 38,106,234	$ 38,385,309	95.9%	$ 296,649	$ 34,722,168	$ 35,018,817	96.7%
Operating grants	189,902		189,902	0.5%	75,927		75,927	0.2%
Capital grants and other	202,466	338,591	541,057	1.4%	217,243	-	217,243	0.6%
General:								
Taxes	846,467		846,467	2.1%	862,222		862,222	2.4%
Other	49,703	20,325	70,028	0.2%	49,231	861	50,092	0.1%
Total revenues	1,567,613	38,465,150	40,032,763	100%	1,501,272	34,723,029	36,224,301	100%
Program expenses:								
General government	589,343		589,343	1.5%	555,396		555,396	1.6%
Judicial	54,888		54,888	0.1%	53,531		53,531	0.1%
Public safety - fire	522,026		522,026	1.3%	532,983		532,983	1.5%
Public safety - police	906,413		906,413	2.3%	879,756		879,756	2.5%
Public safety - animal control	14,406		14,406	0.0%	14,969		14,969	0.0%
Public works - streets	410,351		410,351	1.0%	402,007		402,007	1.1%
Public works - garage	179,871		179,871	0.5%	183,439		183,439	0.5%
Health and welfare	152,253		152,253	0.4%	160,381		160,381	0.4%
Culture and recreation	73,788		73,788	0.2%	75,408		75,408	0.2%
Housing and development	56,765		56,765	0.1%	60,260		60,260	0.2%
Interest	1,867		1,867	0.0%	1,891		1,891	0.0%
Water and sewer		957,854	957,854	2.4%		845,702	845,702	2.4%
Electric		31,145,566	31,145,566	78.9%		28,176,991	28,176,991	78.7%
Gas		3,910,277	3,910,277	9.9%		3,347,699	3,347,699	9.4%
Sanitation		488,887	488,887	1.2%		498,823	498,823	1.4%
Total expenses	2,961,971	36,502,584	39,464,555	100%	2,920,021	32,869,215	35,789,236	100%
Excess (deficiency)	(1,394,358)	1,962,566	568,208		(1,418,749)	1,853,814	435,065	
Transfers	1,214,965	(1,214,965)	-		1,424,272	(1,424,272)	-	
Change in net position	(179,393)	747,601	568,208		5,523	429,542	435,065	
Beginning net position	5,077,390	6,282,421	11,359,811		5,071,867	5,852,879	10,924,746	
Ending net position	$ 4,897,997	$ 7,030,022	$ 11,928,019		$ 5,077,390	$ 6,282,421	$ 11,359,811	

GOVERNMENTAL REVENUES

The City has a diversified revenue stream. The City is heavily reliant on property taxes to support governmental operations and capital. Property taxes provided only 23% of the City's total governmental revenues. Local option sales taxes are the second largest revenue source with approximately $187 thousand of revenues or 12% of the total. The insurance premium taxes generate $140,932 and $108,463 from alcohol taxes. Also, note that program revenues cover approximately 23% of governmental operating expenses. This means that the government's taxpayers, the City's other general governmental revenues, and transfers from business-type activities fund 77% of the governmental activities. As a result, the general economy and the City businesses have a major impact on the City's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

The police function spends about 31% of the governmental funds budget; the fire function spends about 18% of the governmental funds budget; and the street's function spends about 14% of the total governmental funds budget.

This table presents the cost of each of the City's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that has been placed on the City's taxpayers by each of these functions.

	Total Cost of Services	Net Cost of Services
General government	$ 589,343	$ 349,251
Judicial	54,888	54,888
Public safety - fire	522,026	522,026
Public safety - police	906,413	766,452
Public safety - animal control	14,406	14,406
Public works - streets	410,351	276,357
Public works - garage	179,871	179,871
Health and welfare	152,253	34,897
Cultural and recreation	73,788	33,748
Housing and development	56,765	56,765
Interest	1,867	1,867
Total	$ 2,961,971	$ 2,290,528

After reducing gross expenses by program revenues, the police function totals 34% of the net cost of services and the fire function totals 23% of these costs. Finally, the street function is 12% of the total.

BUSINESS-TYPE ACTIVITIES
Revenues vs. Costs

The operating revenues for the utility funds were 10% above 2013 and operating expenses were 11% above 2013. Within the total business type activities of the City, these activities reported $1,962,566 in operating income compared to operating income of $1,853,814 in the prior year, which is an increase of 6% from 2013.

However, after transfers in and out between other funds and non-operating revenues and expenses, these funds reported an increase in net position of $747,601 in 2014 compared to net increase in net position of $429,542 in 2013. Each specific fund reported the following changes in net position:

	2014 Amounts	2013 Amounts
Water and sewer fund	$ 57,684	$ (138,499)
Electric utility fund	680,362	669,002
Gas utility fund	15,290	(25,018)
Sanitation fund	(5,735)	(75,943)

Water and sewer has operating income for 2014 of $182,875, which is a decrease of $47,985 from 2013. During 2014, the revenues were 7% higher due to an increase in consumption. Also the 2014 expenses increased 14%.

The electric utility fund reported an increase in revenues of 10% or $2.7 million. This increase is due to an increase in electrical usage. Expenses reported an increase of 11% or approximately $2.9 million. The increase in expenses relates to the increase in electricity purchased. The electricity utility transferred approximately $655 thousand to other funds. Transfers between the utility funds and the general fund are common since all operating cash (i.e., receipts and disbursements) are recorded and included in the general fund. The interfund transfer is a function of activity and is forced to balance based on cash activity in individual funds.

The gas utility fund operating revenue increased in calendar year 2014 by approximately $591 thousand or 16% and operating expenses increased approximately $562 thousand or 17%. Operating revenues and expenses increased due to increased demand, especially from industrial customers. This fund transferred $416,092 to the other funds as explained above.

The sanitation fund operating revenue decreased in calendar year 2014 by $1,354 and operating expenses decreased $8,921 or 1.7%. The decrease in the fund's expenses is due to an increase in retirement and other post-employment benefits in the prior year.

Financial Analysis of the City's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of $2,101,497. Of this year-end total, $817,940 is unassigned indicating availability for continuing City service requirements and $1,283,557 is legally restricted for program purposes.

The total ending fund balances of governmental funds shows a decrease of $89,593 compared to an increase of $209,428 from the prior year amount. This decrease is a result of an increase in expenditures.

Major Governmental Funds

The general fund is the City's primary operating fund and the largest source of day-to-day service delivery. The general fund's fund balance decreased by approximately $144 thousand. In calendar year 2013, the fund balance increased by approximately $63 thousand.

Overall, general fund revenues were 7% above the 2013 revenues. Total taxes decreased $8,847 from calendar 2013. This decrease was due to property reassessments. General fund licenses and permits decreased $5,109 when compared to calendar 2013. Intergovernmental increased $100,837 from calendar 2013 due to a grant.

On the expenditure side, the 2014 expenditures increased $155,500 above the 2013 amount. The executive-manager function and the finance function both had increases of 33% and 11% respectively due to increases in salaries in the executive-manager function and increases in legal fees in the finance function. The fire function had an increase in expenditures of 8% due to capital purchases. The police function had an increase of 3% in expenditures from the 2013 amount due to an increase in salaries. The garage function's expenditures increased 13% when compared to 2013 due to an increase in insurance and salaries.

The General Fund's ending fund balance decreased 15%, and represents the equivalent of 30% of annual expenditures.

The Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The analysis is presented above.

Budgetary Highlights

The General Fund –The City realized 104% of the final revenue budget. Taxes were below budget because title ad valorem tax was lower than budgeted. Fines and forfeitures were below budget due to a lower number of citations written. Intergovernmental revenues was higher due to a FEMA grant.

The City spent 99% of the appropriated budget.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2014, was $3,095,217 and $5,108,517 respectively. The decrease in this net investment was 4% for governmental and a 5% decrease for business-type activities. The overall decrease was approximately 3% for the City as a whole. See Note 7 for additional information about changes in capital assets during the calendar year and on hand at the end of the year. The following table provides a summary of capital asset activity.

Continued on next page.

	Capital Assets					
	Governmental Activities		Business - Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Non-depreciable assets:						
Land	$ 273,506	$ 263,306	$ 23,057	$ 23,057	$ 296,563	$ 286,363
Construction in progress	-	-	117,863	14,398	117,863	14,398
	273,506	263,306	140,920	37,455	414,426	300,761
Depreciable assets:						
Buildings	2,111,561	2,111,561	-	-	2,111,561	2,111,561
Land and building improvements	130,913	111,413	-	-	130,913	111,413
Machinery and equipment	513,793	481,486	-	-	513,793	481,486
Vehicles	1,080,062	1,080,062	-	-	1,080,062	1,080,062
Furniture and fixtures	83,233	83,233	-	-	83,233	83,233
Infrastructure	2,699,653	2,699,653	-	-	2,699,653	2,699,653
Water system	-	-	7,194,098	7,156,298	7,194,098	7,156,298
Electric system	-	-	5,116,627	5,095,924	5,116,627	5,095,924
Gas system	-	-	990,781	990,781	990,781	990,781
Sanitation operations	-	-	376,991	376,991	376,991	376,991
Total depreciable assets	6,619,215	6,567,408	13,678,497	13,619,994	20,297,712	20,187,402
Less accumulated depreciation	3,797,504	3,617,420	8,710,900	8,430,251	12,508,404	12,047,671
Book value - depreciable assets	2,821,711	2,949,988	4,967,597	5,189,743	7,789,308	8,139,731
Percentage depreciated	57%	55%	64%	62%	62%	60%
Book value - all assets	$ 3,095,217	$ 3,213,294	$ 5,108,517	$ 5,227,198	$ 8,203,734	$ 8,440,492

At December 31, 2014, the depreciable capital assets for governmental activities were 57% depreciated compared to 55% at December 31, 2013.

With the City's business type activities, 64% of the asset values were depreciated at December 31, 2014, compared to 62% at December 31, 2013.

Long-term Debt

At the end of the calendar year, the City had capital lease obligations outstanding of $45,036 for governmental activities and $47,444 outstanding for business-type activities. The business type activities also owed $12,140 in GEFA notes payable.

During the year, the City retired $63,731 of outstanding capital lease obligations and incurred $37,750 in new capital lease obligations.

	Outstanding Borrowings						
	Governmental Activities		Business-type Activities		Totals		%
	2014	2013	2014	2013	2014	2013	Change
Capital leases	$ 77,343	$ 78,310	$ 47,444	$ 40,151	$ 124,787	$ 118,461	5%
Notes	-	-	12,140	100,206	12,140	100,206	-88%
Total	$ 77,343	$ 78,310	$ 59,584	$ 140,357	$ 136,927	$ 218,667	-37%

See Note 11 for additional information about the City's long-term debt.

Economic Conditions Affecting the City

The City is physically located in the southeastern portion of the State of Georgia. The 2010 US Census reported the City's population as 2,605, which is a slight decrease from year 2000. The population in the City is projected by the Coastal Georgia Regional Development Center to grow by 43 percent in the next ten years. This anticipated growth will challenge City leaders to not only maintain the quality of life Sylvania citizens expect, but will bring confronting issues.

The City is the county seat for Screven County, Georgia. The County's median household income is $32,155 according to the 2010 US Census. In 2014, Screven County's unemployment rate was 8.3%. In Georgia, the unemployment rate for the same period was 6.6%.

Since the City relies primarily on property and sales taxes for its operating revenue, changes in the economy definitely affect these revenue streams. Since sales taxes are an "elastic revenue stream" in a sluggish economy, the sales tax revenues are reduced immediately. Property taxes are considered "inelastic" in the short-term; this revenue stream is more stable. Fortunately, the City, because of its revenue stream make-up, has been able to survive financially in a slow economy.

The City's electric utility fund sells an estimated 80% of its power to industrial customers, with 75% of total sales from one customer. Since the gross profit from these industrial customers has decreased it has caused the City to reevaluate programs and services. The 2013 budget was significantly reduced to address the significant decrease in revenues and most of those cost reductions continued in 2014.

The County per capita personal income in 2013 was $31,811, which is 84% of the State of Georgia's per capita personal income. Per capita income is total personal income (including wages, dividends, interest, rent, and government payments) divided by the total population. It is commonly used as an indicator of the quality of consumer markets and the economic well being of a community.

From an economic development perspective, the City continues success through our Downtown Development Authority (DDA). The DDA has been recognized by the National Trust for Historic Places for seven years for having met all the standards for certification. The City is constantly trying to secure funding to replace the City's aging infrastructure. In 2014, the City was awarded a Community Development Block Grant for sewer line improvements. Construction on this project will begin in 2015. Manufacturing plays an important role in the fabric of the City and in 2013 the Screven County Development Authority announced that a new textile industry would be coming to the County's industrial park. This industry will employ 250 employees and the City will supply the facility utilities. Also in 2013, Omega Piezo opened a manufacturing operation within the city limits. During 2014 Omega Piezo has created 20 plus jobs and is planning for continued growth. Other industries leading job growth in the City include professional, scientific, management and administration jobs. The completion of the Savannah River Parkway is expected to bring new opportunities.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City Manager at:

City of Sylvania
104 South Main Street
Sylvania, GA 30467

City of Sylvania, Georgia
Statement of Net Position
December 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	$ 878,758	$ 145,320	$ 1,024,078	$ 39,852
Investments		3,468,025	3,468,025	
Receivables				
Accounts	70,352	4,036,895	4,107,247	
Property taxes	114,190		114,190	
Other	55,986		55,986	
Interest	1,471		1,471	
Notes	85,445		85,445	
Prepaid items	23,636	18,369	42,005	
Restricted assets				
Cash	1,220,464		1,220,464	
Investments		731	731	
Capital assets (Note 7)				
Nondepreciable capital assets	273,506	140,920	414,426	
Depreciable capital assets, net	2,821,711	4,967,597	7,789,308	
Total assets	5,545,519	12,777,857	18,323,376	39,852
Liabilities				
Current liabilities				
Accounts payable	188,656	5,059,962	5,248,618	
Sales tax payable		24,338	24,338	
Accrued interest payable	271	365	636	
Unearned revenue	66,227		66,227	
Customer deposits payable		250,503	250,503	
Compensated absences payable	55,277	60,742	116,019	
Post-employment benefits payable	11,668	5,834	17,502	
Capital leases payable	36,672	16,956	53,628	
Notes payable		12,140	12,140	
Long-term liabilities (Note 11)				
Compensated absences payable (net of current portion)	72,019	104,093	176,112	
Net pension obligation	61,095		61,095	
Post-employment benefits payable (net of current portion)	114,966	182,414	297,380	
Capital leases payable (net of current portion)	40,671	30,488	71,159	
Total liabilities	647,522	5,747,835	6,395,357	0
Net Position				
Net investment in capital assets (Note 14)	3,017,874	5,048,933	8,066,807	
Restricted for MEAG power generation		731	731	
Restricted for program purposes	1,264,921		1,264,921	39,852
Unrestricted	615,202	1,980,358	2,595,560	
Total net position	$ 4,897,997	$ 7,030,022	$ 11,928,019	$ 39,852

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

City of Sylvania, Georgia
Statement of Activities
For the Year Ended December 31, 2014

Function/Program	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants, Contributions and Interest	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Primary government								
Governmental activities								
General government	$ 589,343	$ 77,666		$ 162,426	$ (349,251)		$ (349,251)	
Judicial	54,888				(54,888)		(54,888)	
Public safety								
Fire	522,026				(522,026)		(522,026)	
Police	906,413	139,961			(766,452)		(766,452)	
Animal control	14,406				(14,406)		(14,406)	
Public works								
Streets	410,351	17,505	$ 116,489		(276,357)		(276,357)	
Garage	179,871				(179,871)		(179,871)	
Health and welfare	152,253	43,943	73,413		(34,897)		(34,897)	
Culture and recreation	73,788			40,040	(33,748)		(33,748)	
Housing and development	56,765				(56,765)		(56,765)	
Interest	1,867				(1,867)		(1,867)	
Total governmental activities	2,961,971	279,075	189,902	202,466	(2,290,528)	$ 0	(2,290,528)	
Business-type activities								
Water and sewer	957,854	1,139,080		11,220		192,446	192,446	
Electric utility	31,145,566	32,133,200		327,371		1,315,005	1,315,005	
Gas utility	3,910,277	4,341,659				431,382	431,382	
Sanitation	488,887	492,295				3,408	3,408	
Total business-type activities	36,502,584	38,106,234	0	338,591	0	1,942,241	1,942,241	
Total primary government	$ 39,464,555	$ 38,385,309	$ 189,902	$ 541,057	(2,290,528)	1,942,241	(348,287)	
Component Unit								
Downtown Development Authority of Sylvania	$ 38,763	$ 9,149	$ 27,354	$ 0				$ (2,260)
		General Revenues						
		Property taxes levied for general government purposes			360,607		360,607	
		Local option sales and use taxes			187,467		187,467	
		Insurance premium taxes			140,932		140,932	
		Alcohol taxes			108,463		108,463	
		Hotel-motel taxes			15,346		15,346	
		Franchise taxes			33,652		33,652	
		Gain on sale of assets			1,119		1,119	
		Investment earnings			9,592	20,325	29,917	
		Miscellaneous			38,992		38,992	
		Total general revenues			896,170	20,325	916,495	0
		Transfers			1,214,965	(1,214,965)	0	
		Total general revenues and transfers			2,111,135	(1,194,640)	916,495	0
		Change in net position			(179,393)	747,601	568,208	(2,260)
		Net position beginning of year			5,077,390	6,282,421	11,359,811	42,112
		Net position end of year			$ 4,897,997	$ 7,030,022	$ 11,928,019	$ 39,852

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

City of Sylvania, Georgia
Balance Sheet
Governmental Funds
December 31, 2014

	General	UDAG	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 878,758			$ 878,758
Restricted cash and cash equivalents		$ 865,544	$ 354,920	1,220,464
Receivables:				
Accounts	70,352			70,352
Property taxes	114,190			114,190
Other	55,986			55,986
Notes		85,445		85,445
Interest	1,471			1,471
Interfund	6,488		1,340	7,828
Prepaid items	23,636			23,636
Total assets	$ 1,150,881	$ 950,989	$ 356,260	$ 2,458,130
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	$ 152,816		$ 35,840	$ 188,656
Interfund balances	1,340		6,488	7,828
Unearned revenues	66,227			66,227
Total liabilities	220,383	$ 0	42,328	262,711
Deferred inflows of resources	93,922			93,922
Total liabilities and deferred inflows of resources	314,305	0	42,328	356,633
Fund balances				
Nonspendable - prepaid items	23,636			23,636
Restricted for:				
Capital projects			309,711	309,711
Public safety			4,221	4,221
Housing and development		950,989		950,989
Unassigned	812,940			812,940
Total fund balances	836,576	950,989	313,932	2,101,497
Total liabilities, deferred inflows of resources and fund balances	$ 1,150,881	$ 950,989	$ 356,260	$ 2,458,130

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

City of Sylvania, Georgia
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position
December 31, 2014

Total governmental fund balances		$ 2,101,497
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 not reported in the funds. However, in the statement of net position the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.		
Cost of capital assets	$ 6,892,720	
Less accumulated depreciation	(3,797,503)	3,095,217
Property taxes are deferred in the governmental funds because they are not available but they are reported as revenue on the statement of activities.		93,922
Liabilities, including notes payable, compensated absences and post-employment benefits are not due and payable in the current period and therefore are not reported in the fund financial reporting level, however, these liabilities are reported at the government-wide reporting level:		
Capital lease liability	(77,343)	
Accrued interest payable	(271)	
Compensated absences payable	(127,296)	
Net pension obligation	(61,095)	
Post-employment benefits payable	(126,634)	(392,639)
Net position of governmental activities		$ 4,897,997

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

City of Sylvania, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	UDAG	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 829,548		$ 15,346	$ 844,894
Intergovernmental	229,717		162,385	392,102
Licenses and permits	66,570			66,570
Charges for services	75,482			75,482
Fines and forfeitures	134,895		2,128	137,023
Investment earnings	4,573	$ 5,019	266	9,858
Contributions and donations	16,515			16,515
Miscellaneous	22,477			22,477
Total revenues	1,379,777	5,019	180,125	1,564,921
Expenditures				
Current:				
General government				
Legislative	17,745			17,745
Executive - Mayor	6,880			6,880
Executive - Manager	196,703			196,703
Financial administration	360,482			360,482
Purchase/contract services	4,425			4,425
Judicial	54,888			54,888
Public safety:				
Police	888,448			888,448
Fire	508,144			508,144
Animal control	13,900			13,900
Public works:				
Streets	350,976			350,976
Garage	172,904			172,904
Health and welfare	152,384			152,384
Culture and recreation	58,452			58,452
Housing and development				
Building and zoning	2,124			2,124
Economic development and assistance	37,952		15,346	53,298
Capital outlays			25,964	25,964
Debt service:				
Principal retirement	33,274			33,274
Interest and fiscal charges	1,914			1,914
Total expenditures	2,861,595	0	41,310	2,902,905
Excess (deficit) of revenues to expenditures	(1,481,818)	5,019	138,815	(1,337,984)
Other financing sources (uses)				
Inception of capital lease	32,307			32,307
Proceeds from sale of assets	1,119			1,119
Interfund transfers	1,304,351		(89,386)	1,214,965
Total other financing sources (uses)	1,337,777	0	(89,386)	1,248,391
Net change in fund balances	(144,041)	5,019	49,429	(89,593)
Fund balances beginning of year	980,617	945,970	264,503	2,191,090
Fund balances end of year	$ 836,576	$ 950,989	$ 313,932	$ 2,101,497

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

City of Sylvania, Georgia

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

For the Year Ended December 31, 2014

Net changes in fund balances - total governmental funds		$ (89,593)
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Depreciation expense	$ (180,084)	
Capital outlay	62,007	(118,077)
Property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred at 12/31/14	93,922	
Deferred at 12/31/13	(92,349)	1,573
Interest expense 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.		
Liability at 12/31/14	(271)	
Liability at 12/31/13	318	47
The issuance of long-term debt (e.g., notes payable, capital leases) provides current financial resources to the governmental funds, but the receipt of proceeds from long-term debt increases long-term liabilities in the statement of net position.		(32,307)
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.		33,274
Compensated absences 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		
Liability at 12/31/14	(127,296)	
Liability at 12/31/13	134,774	7,478
Net pension obligation 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		
Liability at 12/31/14	(61,095)	
Liability at 12/31/13	61,095	0
Post-employment benefits 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		
Liability at 12/31/14	(126,634)	
Liability at 12/31/13	144,846	18,212
Change in net position of governmental activities		$ (179,393)

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

City of Sylvania, Georgia
Statement of Net Position
Proprietary Funds
December 31, 2014

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electricity Utility	Gas Utility	Sanitation	Total
Assets					
Current assets					
Cash and cash equivalents	$ 41,213	$ 104,107			$ 145,320
Investments		3,468,025			3,468,025
Accounts receivable	100,169	3,210,644	$ 684,526	$ 41,556	4,036,895
Prepaid insurance	7,781	5,430	1,357	3,801	18,369
Total current assets	149,163	6,788,206	685,883	45,357	7,668,609
Noncurrent assets					
Restricted assets					
Investments - MEAG Competitive Trust		731			731
Capital assets					
Nondepreciable capital assets	134,413			6,507	140,920
Depreciable capital assets, net	2,736,605	1,912,231	310,290	8,471	4,967,597
Total noncurrent assets	2,871,018	1,912,962	310,290	14,978	5,109,248
Total assets	3,020,181	8,701,168	996,173	60,335	12,777,857
Liabilities					
Current liabilities					
Accounts payable	47,504	4,577,674	421,522	13,262	5,059,962
Sales tax payable		24,338			24,338
Accrued interest payable	365				365
Customer deposits payable		250,503			250,503
Compensated absences payable	15,819	24,849	5,394	14,680	60,742
Post-employment benefit payable				5,834	5,834
Capital lease payable	7,096	7,744		2,116	16,956
Notes payable	12,140				12,140
Total current liabilities	82,924	4,885,108	426,916	35,892	5,430,840
Long-term liabilities (net of current portion):					
Compensated absences payable	27,981	54,820	3,596	17,696	104,093
Post-employment benefit payable	10,367	31,800	42,514	97,733	182,414
Capital lease payable	28,918	1,233		337	30,488
Total long-term liabilities	67,266	87,853	46,110	115,766	316,995
Total liabilities	150,190	4,972,961	473,026	151,658	5,747,835
Net Position					
Net investment in capital assets (Note 14)	2,822,864	1,903,254	310,290	12,525	5,048,933
Restricted - MEAG power generation		731			731
Unrestricted	47,127	1,824,222	212,857	(103,848)	1,980,358
Total net position	$ 2,869,991	$ 3,728,207	$ 523,147	$ (91,323)	$ 7,030,022

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

City of Sylvania, Georgia
Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electricity Utility	Gas Utility	Sanitation	Total
Operating revenues					
Charges for services	$ 1,128,120	$ 32,121,054	$ 4,341,659	$ 492,295	$ 38,083,128
Miscellaneous	10,960	12,146			23,106
Total operating revenues	1,139,080	32,133,200	4,341,659	492,295	38,106,234
Operating expenses					
Cost of sales		30,041,394	3,731,376		33,772,770
Salaries	297,728	361,456	77,132	230,683	966,999
Social security	21,005	26,380	5,460	17,361	70,206
Group insurance	53,527	50,796	17,446	47,771	169,540
Retirement and other post-employment benefits	38,049	34,741	15,918	46,521	135,229
Workers' compensation	14,265	8,003		5,737	28,005
Contract labor and services	29,677	1,532		23,586	54,795
Chemicals	21,393				21,393
Materials and supplies	27,638	109,120	7,654		144,412
Gas, oil, and tires	18,035	14,257	4,154	31,467	67,913
Uniforms and safety equipment	753	684	186	2,455	4,078
Vehicle repairs	17,701	22,091	481	19,689	59,962
Engineering and consulting	5,344	13,380			18,724
Meter reading	409	409	409		1,227
Postage	4,147	3,622	3,584		11,353
Communications	2,424	1,188	1,864		5,476
Insurance	31,814	14,008	3,477	9,868	59,167
Public utilities	84,612	8,368	1,040		94,020
Maintenance and testing	116,089	155,898	19,658	8,822	300,467
Tipping fees	13,756			18,901	32,657
Bad debts	4,550	23,804	3,167	1,925	33,446
Other	15,403	7,435	4,147	1,209	28,194
Depreciation	137,886	107,272	13,124	22,367	280,649
Total operating expenses	956,205	31,005,838	3,910,277	488,362	36,360,682
Operating income	182,875	1,127,362	431,382	3,933	1,745,552
Non-operating revenues (expenses)					
Interest and fiscal charges	(1,649)	(139,728)		(525)	(141,902)
Investment earnings		20,318			20,318
Grant proceeds	11,220	327,371			338,591
MEAG Generation Trust investment earnings		7			7
Total non-operating revenues (expenses)	9,571	207,968	0	(525)	217,014
Income before transfers	192,446	1,335,330	431,382	3,408	1,962,566
Interfund transfers	(134,762)	(654,968)	(416,092)	(9,143)	(1,214,965)
Change in net position	57,684	680,362	15,290	(5,735)	747,601
Net position beginning of year	2,812,307	3,047,845	507,857	(85,588)	6,282,421
Net position end of year	$ 2,869,991	$ 3,728,207	$ 523,147	$ (91,323)	$ 7,030,022

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

City of Sylvania, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electricity Utility	Gas Utility	Sanitation	Total
Cash flows from operating activities					
Cash received from customers	$ 1,116,931	$ 32,099,509	$ 4,195,848	$ 494,326	$ 37,906,614
Cash payments to employees for personal services	(452,940)	(495,048)	(120,654)	(348,256)	(1,416,898)
Cash payments for goods and services	(345,159)	(30,062,422)	(3,659,102)	(114,123)	(34,180,806)
Net cash provided by operating activities	318,832	1,542,039	416,092	31,947	2,308,910
Cash flows from noncapital financing activities					
Transfers in (out)	(224,148)	(654,968)	(416,092)	(9,143)	(1,304,351)
Cash flows from capital and related financing activities					
Transfers from SPLOST	89,386				89,386
Grant proceeds	11,220	327,371			338,591
Proceeds from capital lease	37,750				37,750
Principal paid on debt	(89,802)	(6,442)		(22,279)	(118,523)
Interest paid on debt	(1,648)	(139,728)		(525)	(141,901)
Payments for capital acquisitions	(141,265)	(20,703)			(161,968)
Net cash provided by (used for) capital and related financing activities	(94,359)	160,498	0	(22,804)	43,335
Cash flows from investing activities					
Investment earnings		20,325			20,325
Purchases of investments		(2,118,727)			(2,118,727)
Proceeds from sales of investments		1,050,000			1,050,000
Net cash used for investing activities	0	(1,048,402)	0	0	(1,048,402)
Net increase (decrease) in cash and cash equivalents	325	(833)	0	0	(508)
Cash and cash equivalents beginning of year	40,888	104,940			145,828
Cash and cash equivalents end of year	$ 41,213	$ 104,107	$ 0	$ 0	$ 145,320

(continued)

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

City of Sylvania, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

(continued)

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electricity Utility	Gas Utility	Sanitation	Total
Reconciliation of operating income to net cash provided by operating activities					
Operating income	$ 182,875	$ 1,127,362	$ 431,382	$ 3,933	$ 1,745,552
Adjustments:					
Depreciation	137,886	107,272	13,124	22,367	280,649
(Increase) decrease in assets:					
Accounts receivable	(22,149)	(24,791)	(145,811)	2,031	(190,720)
Prepaid insurance	622	(1,087)	(230)	(519)	(1,214)
Increase (decrease) in liabilities:					
Accounts payable	18,287	363,955	122,325	4,318	508,885
Sales tax payable		(8,100)			(8,100)
Accrued liabilities	(9,729)	(10,141)	(3,594)	(8,223)	(31,687)
Compensated absences payable	11,600	(1,815)	1,191	(5,365)	5,611
Post-retirement benefit payable	(560)	(1,716)	(2,295)	13,405	8,834
Customer deposits		(8,900)			(8,900)
Net cash provided by operating activities	$ 318,832	$ 1,542,039	$ 416,092	$ 31,947	$ 2,308,910

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

Note 1 - Reporting Entity

The City of Sylvania, Georgia (the City) was incorporated under the provisions of Georgia law March 1, 1963. The City operates under a Council-City Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets and lanes, water and sewer, sanitation, various administrative services, and electric and gas utilities.

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations, or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

The component unit columns included on the government-wide financial statements identify the financial data of the City's discretely presented component units. They are reported separately to emphasize that they are legally separate from the City.

A brief description of the discretely presented component unit follows:

Downtown Development Authority of Sylvania (the Authority) - The Authority is a public corporation created in 1983. The primary purposes of the Authority are to promote revitalization and redevelopment of the central business district of the City and to develop trade, commerce, industry and employment opportunities. The City Council appoints all seven board members and assists with the Authority's funding. Separate financial statements are not issued at this time.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

The most significant of the City's accounting policies are described below.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Note 2 - Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. The primary government and the component unit are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and City's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the City and it's discretely presented component unit at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and are therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function generates the revenue. For *grants and contributions,* the determining factor is to which function the revenues are restricted.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns of the fund statements.

Fund Accounting - The City uses funds to maintain financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The city uses two categories of funds: governmental and proprietary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

Note 2 - Summary of Significant Accounting Policies (continued)

The General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.

The UDAG Fund - The UDAG (Urban Development Action Grant) fund accounts for grant proceeds received in the 1990's that is to be used as a revolving loan fund for development in and around the City of Sylvania.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary funds are classified as enterprise funds. The City's enterprise funds, all of which are major funds, are as follows:

Water and Sewer Fund - This fund is used to account for the construction of facilities and operation of activities involved in providing water and sewer services.

Electricity Utility Fund - This fund is used to account for the construction of facilities and operation of activities involved in providing electric services.

Gas Utility Fund - This fund is used to account for the construction of facilities and operation of activities involved in providing natural gas services.

Solid Waste Collection Fund - This fund is used to account for the construction of facilities and operation of activities involved in providing sanitation (solid waste collection) services.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports the sources (i.e., revenues and other financing resources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within 60 days of year-end.

Revenues - Non-exchange Transactions - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 6). Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On both the government-fund financial statements and the government-wide financial statements, revenues are deferred for grants and entitlements received before the eligibility requirements are met (e.g., cash advances).

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Note 2 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Fund Equity

Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in the following type of obligations:

Obligations of the State of Georgia or of any other states
Obligations of the United States Government
Obligations fully insured or guaranteed by the United States Government or Government agency
Obligations of any corporation of the United States Government
Prime bankers' acceptances
The State of Georgia local government investment pool (i.e., Georgia Fund I)
Repurchase agreements
Obligations of the other political subdivisions of the State of Georgia

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water and sewer charges, gas and electric charges and charges for sanitation services are accrued as receivables and revenue at December 31, 2014. The City reports utility receivables net of an allowance for uncollectible accounts.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is non-spendable as this amount is not available for general appropriation.

Restricted Assets

Confiscated cash in the confiscated assets fund and customer deposits in the enterprise funds are reported as restricted assets.

Note 2 - Summary of Significant Accounting Policies (continued)

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of roads, bridges, water lines and sewer lines. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. The City has capitalized all infrastructure, including infrastructure acquired prior to the implementation of GASB Statement No. 34. The City's infrastructure includes assets acquired prior to June 30, 1980. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	Estimated Useful Lives	
Asset Class	Governmental Activities	Business-type Activities
Buildings	25-50 Years	40 Years
Land and building improvements	10-25 years	
Machinery and equipment	5-10 years	3-10 Years
Furniture and fixtures	5 years	
Vehicles	5-8 years	3-4 Years
Infrastructure	25-40 years	
Building and pump stations	---	40 Years
Sewer collection system	---	50 Years
Water tank and wells	---	10-50 Years
Water mains and hydrants	---	30-50 Years
Meters and regulators	---	20 Years
Lines, transformers and poles	---	10-50 Years
Gas mains	---	50 Years
Other	---	3-50 Years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments. The cost of assets acquired with capital leases is capitalized and depreciated at the fund level for enterprise funds and at the government wide level for covenantal activities and business-type activities.

Note 2 - Summary of Significant Accounting Policies (continued)

Compensated Absences
Vacation and sick benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick benefits are payable only at retirement on a limited basis.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. The proprietary fund reports total compensated absence liability at the fund level, if applicable. Governmental funds report compensated absence liability at the fund reporting level only "when due."

Accrued Liabilities and Long-term Obligations
All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

Bond Premiums, Discounts and Issuance Costs
On the government-wide statement of net position and the proprietary fund type statement of net position, debt premiums and discounts are netted against debt. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts are deferred and amortized over the life of the debt using the effective interest method.

Debt issuance costs are recognized as an outflow of resources in the reporting period in which they are incurred.

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

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

Nonspendable fund balance - amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

Note 2 - Summary of Significant Accounting Policies (continued)

Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. the City Council). To be reported as committed, amounts cannot be used for any other purposes unless the city takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City Council delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Net Position Flow Assumptions – In order to report net position as a "restricted net position" and an "unrestricted net position" in the government-wide and proprietary fund financial statements, the City has established a flow assumption policy. It is the City's policy to use "restricted net position" first before using "unrestricted net position."

Fund Balance Flow Assumptions – It is the City's policy to consider restricted fund balance to have been used before any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, it is the City's policy to use the fund balance in the following order: committed, assigned and then unassigned.

Net Position - Net position represents the difference between assets and liabilities. Net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net position amount also is adjusted by any bond issuance deferral amounts. The net position is reported as restricted when there are limitations imposed on its 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. The balance of the net position is reported as unrestricted.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer, electricity, gas and solid waste programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of each fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Contribution of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Note 2 - Summary of Significant Accounting Policies (continued)

Interfund Activity
Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

Estimates
The preparation of the financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 - Stewardship, Compliance and Accountability

Comparative Data
Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

Budgetary Information
The City adopts an annual operating budget for the general fund and each special revenue fund. The budget resolution reflects the total of each department's appropriation in each fund.

The general and special revenue fund's budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council.

The City Manager may approve budget transfers within departments. All unexpended annual appropriations lapse at year-end.

Accumulated Fund Deficit
The City has an accumulated fund deficit in the sanitation fund totaling $91,323. This fund deficit resulted from the accrual of unfunded post employment benefits.

Note 4 - Deposits and Investments

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2014, the City was not exposed to custodial credit risk.

Investments - Municipal Competitive Trust - At year end, proprietary fund investments were $3,468,756 which are held by Wells Fargo in the Municipal Competitive Trust. The Municipal Competitive Trust consists of pooled funds from the members of MEAG and is invested in United States Government securities held in the name of the Municipal Competitive Trust and allocated to members based on shares of ownership in the trust. Investments are stated at fair values based on quoted market prices. The investments would be classified as uninsured and uncollateralized because the securities are held by Wells Fargo in the name of the Municipal Competitive Trust.

Note 5 - Receivables

Receivables at December 31, 2014, consisted of taxes, interest, accounts (billings for user charges, including unbilled utility receivables), and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

Note 6 - Property Taxes

Property taxes are assessed based upon property values determined by the Screven County Assessor's Office at January 1, 2014. The levy date was August 5, 2014; the tax bills were mailed September 18, 2014; and were due December 20, 2014. The lien date is December 20, 2014.

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Note 7 - Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2014, was as follows:

	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 263,306	$ 10,200		$ 273,506
Depreciable capital assets				
Buildings	2,111,561			2,111,561
Land and building improvements	111,413	19,500		130,913
Machinery and equipment	481,486	32,307		513,793
Vehicles	1,080,062			1,080,062
Furniture and fixtures	83,233			83,233
Infrastructure	2,699,653			2,699,653
Total depreciable capital assets	6,567,408	51,807	0	6,619,215
Total capital assets	6,830,714	62,007	0	6,892,721
Accumulated depreciation:				
Buildings	1,009,926	48,110		1,058,036
Land and building improvements	108,196	1,544		109,740
Machinery and equipment	231,938	27,891	0	259,829
Vehicles	851,998	39,348		891,346
Furniture and fixtures	83,233			83,233
Infrastructure	1,332,129	63,191		1,395,320
Total accumulated depreciation	3,617,420	180,084	0	3,797,504
Governmental activities capital assets, net	$ 3,213,294	$ (118,077)	$ 0	$ 3,095,217

Governmental activities depreciation expense	
General government	$ 18,059
Public safety - fire	46,107
Public safety - police	25,326
Public safety - animal control	506
Public works - streets	65,149
Public works - garage	8,258
Health and welfare	15,336
Housing and development	1,343
Total governmental activities depreciation expense	$ 180,084

Note 7 - Capital Assets (continued)

Capital asset activity for business-type activities for the year ended December 31, 2014, was as follows:

	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014
Business-type activities:				
Water and sewer fund:				
Capital assets not being depreciated:				
Land and rights	$ 16,550			$ 16,550
Construction in progress	14,398	$ 103,465		117,863
Total capital assets not being depreciated	30,948	103,465	$ 0	134,413
Depreciable capital assets:				
Building and pump stations	1,958,630			1,958,630
Sewer collection system	2,265,409			2,265,409
Water tank and wells	788,165			788,165
Water mains and hydrants	1,174,733			1,174,733
Meters	23,264			23,264
Vehicles	323,786			323,786
Other	622,311	37,800		660,111
Total depreciable capital assets	7,156,298	37,800	0	7,194,098
Total capital assets	7,187,246	141,265	0	7,328,511
Accumulated depreciation:				
Building and pump stations	1,544,472	31,416		1,575,888
Sewer collection system	826,958	46,903		873,861
Water tank and wells	460,065	13,339		473,404
Water mains and hydrants	593,438	25,485		618,923
Meters	17,295	1,382		18,677
Vehicles	320,036	2,500		322,536
Other	557,343	16,861		574,204
Total accumulated depreciation	4,319,607	137,886	0	4,457,493
Water and sewer capital assets, net	$ 2,867,639	$ 3,379	$ 0	$ 2,871,018

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Note 7 - Capital Assets (continued)

	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014
Business-type activities:				
Electric utility fund:				
Depreciable capital assets:				
Buildings	$ 474,045			$ 474,045
Meters	79,059			79,059
Lines, transformers and poles	3,603,967	$ 20,703		3,624,670
Vehicles	600,891			600,891
Machinery and equipment	337,962			337,962
Total capital assets	5,095,924	20,703	$ 0	5,116,627
Accumulated depreciation:				
Buildings	138,421	14,832		153,253
Meters	77,604	563		78,167
Lines, transformers and poles	2,037,031	56,599		2,093,630
Vehicles	568,096	22,016		590,112
Machinery and equipment	275,972	13,262		289,234
Total accumulated depreciation	3,097,124	107,272	0	3,204,396
Electric utility capital assets, net	$ 1,998,800	$ (86,569)	$ 0	$ 1,912,231
Gas utility fund:				
Depreciable capital assets:				
Buildings	$ 2,509			$ 2,509
Gas mains	713,066			713,066
Meters and regulators	108,600			108,600
Vehicles	118,067			118,067
Machinery and equipment	48,539			48,539
Total capital assets	990,781	$ 0	$ 0	990,781
Accumulated depreciation:				
Buildings	1,657	63		1,720
Gas mains	443,713	9,981		453,694
Meters and regulators	55,391	3,080		58,471
Vehicles	118,067			118,067
Machinery and equipment	48,539			48,539
Total accumulated depreciation	667,367	13,124	0	680,491
Gas utility fund capital assets, net	$ 323,414	$ (13,124)	$ 0	$ 310,290

Note 7 - Capital Assets (continued)

	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014
Business-type activities:				
Sanitation fund				
Capital assets not being depreciated:				
Land and rights	$ 6,507			$ 6,507
Depreciable capital assets:				
Buildings	11,449			11,449
Vehicles	287,826			287,826
Machinery and equipment	77,716			77,716
Total depreciable capital assets	376,991	$ 0	$ 0	376,991
Total capital assets	383,498	0	0	383,498
Accumulated depreciation:				
Buildings	7,445	382		7,827
Vehicles	267,997	19,829		287,826
Machinery and equipment	70,711	2,156		72,867
Total accumulated depreciation	346,153	22,367	0	368,520
Sanitation fund capital assets, net	$ 37,345	$ (22,367)	$ 0	$ 14,978

Note 8 - Interfund Balances and Transfers

Interfund balances represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made.

General fund payable to the confiscated assets fund for amounts deposited in the general fund account which should have been deposited in the confiscated assets fund account $1,340.
General fund receivable from SPLOST capital projects fund for various expenses paid by general fund $6,488.

Interfund transfers for the year ended December 31, 2014, consisted of the following:
The water/sewer fund transferred $224,148 to the general fund to supplement its finances.
The electric fund transferred $654,968 to the general fund to supplement its finances.
The natural gas fund transferred $416,092 to the general fund to supplement its finances.
The sanitation fund transferred $9,143 to the general fund to supplement its finances
The SPLOST capital projects fund (non-major) transferred $87,386 to the water/sewer fund for payment of debt.

Note 9 - Deferred Inflows of Resources

In addition to liabilities, the governmental funds balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents additions to assets that apply to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The portion of property taxes that are not available for use (not received within 60 days subsequent to year end) are reported as deferred inflows of resources in the governmental funds balance sheet. This element is not present in the government-wide statement of position.

Note 10 - Short-Term Debt

During the current year, the City has issued tax anticipation notes. The purpose of these notes was to provide temporary financing needed to cover shortfalls in anticipated tax revenues of the City for current expenses of the general fund. All balances were repaid at December 31, 2014.

Changes in Short-term Debt - Changes in the City's short-term obligations consisted of the following for the year ended December 31, 2014.

Governmental Activities	Outstanding 12/31/2013	Additions	Reductions	Outstanding 12/31/2013
Notes payable				
Farmers and Merchants Bank	$ 0	3,185,000	$ 3,185,000	$ 0

Note 11 - Long-Term Liabilities

Governmental Capital Lease

The City has entered into capital leases for vehicles. These leases meet the criteria of a capital lease since they transfer benefits and risks of ownership to the lessee at the end of the lease term. Capital lease payments are reflected as debt service expenditures at the governmental fund reporting level. The cost of the assets purchased with the capital lease are capitalized and depreciated over the estimated useful life of the asset. Depreciation expense on capital assets purchased with capital leases is reported as a direct expense in the activity that utilizes the asset.

Capital lease payable to Georgia Municipal Association in quarterly payments of $2,583. The vehicle acquired by the lease is included in governmental activities general capital assets in the amount of $9,160 (cost of $30,534 less accumulated depreciation of $21,374).The outstanding balance of the corresponding liability is included in governmental activities general current debt. This capital lease was paid off in 2014.

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Note 11 - Long-Term Liabilities (continued)

Capital lease payable to Georgia Municipal Association in quarterly payments of $4,874. This lease was used to acquire communication equipment for the City. This portion of the lease is allocated to the governmental activities general capital assets in the amount of $33,782 (cost of $75,072 less accumulated depreciation of $41,290).The outstanding balance of the corresponding liability is included in governmental activities general current debt. Annual debt service requirements to amortize this capital lease as of December 31, 2014, follow:

Year	Principal	Interest	Total
2015	$ 18,946	$ 516	$ 19,462
2016	5,775	44	5,819
Total	$ 24,721	$ 560	$ 25,281

Capital lease payable to Georgia Municipal Association in quarterly payments of $2,631. This lease was used to acquire communication equipment for the City. This portion of the lease is allocated to the governmental activities general capital assets in the amount of $22,390 (cost of $29,854 less accumulated depreciation of $7,464).The outstanding balance of the corresponding liability is included in governmental activities general current debt. Annual debt service requirements to amortize this capital lease as of December 31, 2014, follow:

Year	Principal	Interest	Total
2015	$ 9,997	$ 528	$ 10,525
2016	10,318	206	10,524
Total	$ 20,315	$ 734	$ 21,049

Capital lease payable to Georgia Municipal Association in quarterly payments of $2,167. This lease was used to acquire extrication equipment for the fire department of the City. The equipment acquired under this lease is included in governmental activities general capital assets in the amount of $31,769 (cost of $32,307 less accumulated depreciation of $538).The outstanding balance of the corresponding liability is included in governmental activities general current debt. Annual debt service requirements to amortize this capital lease as of December 31, 2014, follow:

Year	Principal	Interest	Total
2015	$ 7,729	$ 940	$ 8,669
2016	7,907	762	8,669
2017	8,189	480	8,669
2018	8,482	187	8,669
Total	$ 32,307	$ 2,369	$ 34,676

Note 11 - Long-Term Liabilities (continued)

Business-Type Activities

Capital lease payable to Georgia Municipal Association in quarterly payments of $6,518. The vehicle acquired by the lease is included in the utility fund capital assets in the amount of $-0- (cost of $118,962 less accumulated depreciation of $118,962). This capital lease was paid off in 2014.

Capital lease payable to Georgia Municipal Association in quarterly payments of $2,511. This lease was used to acquire communication equipment for the City. This portion of the lease is allocated to the utility fund capital assets in the amount of $24,154 (cost of $37,162 less accumulated depreciation of $13,008).The outstanding balance of the corresponding liability is included in governmental activities general current debt. Annual debt service requirements to amortize this capital lease as of December 31, 2014, follow:

Year	Principal	Interest	Total
2015	$ 9,860	$ 225	$ 10,085
2016	1,570	13	1,583
Total	$ 11,430	$ 238	$ 11,668

Capital lease payable to Georgia Municipal Association in quarterly payments of $2,065. This lease was used to acquire equipment for the water and sewer fund of the City. The equipment purchased with this lease is included in the water and sewer capital assets in the amount of $34,650 (cost of $37,800 less accumulated depreciation of $3,150). Annual debt service requirements to amortize this capital lease as of December 31, 2014, follow:

Year	Principal	Interest	Total
2015	$ 7,096	$ 1,163	$ 8,259
2016	7,348	911	8,259
2017	7,607	652	8,259
2018	7,875	384	8,259
2019	6,088	106	6,194
Total	$ 36,014	$ 3,216	$ 39,230

GEFA 2008 Loan – Contract 2007-L45WJ - Payments are due in equal monthly installments of $1,938 including interest at 4.10%, beginning October 1, 2008 and ending September 1, 2018. The purpose of the loan was to expand the sewer system. The original amount of this loan was $190,509. Principal on this debt has been accelerated by the city. The remaining annual debt service requirements to amortize the loan outstanding, as of December 31, 2014, follow:

Year	Principal	Interest	Total
2015	$ 12,140	$ 50	$ 12,190

Note 11 - Long-Term Liabilities (continued)

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2014:

Governmental Activities	Outstanding 12/31/2013	Additions	Reductions	Outstanding 12/31/2014	Amounts Due in One Year
Capital lease	$ 5,102		$ 5,102	$ 0	
Capital lease	43,208		18,487	24,721	$ 18,946
Capital lease	30,000		9,685	20,315	9,997
Capital lease		$ 32,307		32,307	7,729
Compensated absences	134,774	63,248	70,726	127,296	55,277
Post-employment benefits	144,846		18,212	126,634	11,668
Total Government-Type Activities	$ 357,930	$ 95,555	$ 122,212	$ 331,273	$ 103,617

Business-Type Activities	Outstanding 12/31/2013	Additions	Reductions	Outstanding 12/31/2014	Amounts Due in One Year
Capital lease	$ 19,197		$ 19,197	0	
Capital lease	20,954		9,524	11,430	$ 9,860
Capital lease		$ 37,750	1,736	36,014	7,096
GEFA loan - 2008	100,206		88,066	12,140	12,140
Compensated absences	159,224	61,798	56,187	164,835	60,742
Post-employment benefits	179,414	14,252	5,418	188,248	5,834
Total Business-Type Activities	$ 478,995	$ 113,800	$ 180,128	$ 412,667	$ 95,672

The governmental activities capital lease payable is being financed through future general fund expendable available financial sources as they become due. Principal and interest payments related to the City's GEFA loans and the GMA capital lease for the water and sewer fund are financed from income derived from the operation of the water and sewer system.

The total interest expense for the year ended December 31, 2014, was $143,769.

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. In 2014, compensated absences were liquidated through the general fund, water and sewer fund, electric utility fund, gas utility fund and sanitation fund.

The post-employment benefits liability will be paid from the fund from which the employees' salaries are paid. In 2014, post-employment benefit liabilities were liquidated through the general fund and the sanitation fund.

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Note 12 - Pension

The City participates in the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer defined benefit pension plan (the Plan). The City became a member of the Plan effective November 1, 2001.

Plan Description - The Plan provides retirement, disability and death benefits to plan members and beneficiaries. These retirement provisions were established by an adoption agreement executed by the City Council. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), administered by the Georgia Municipal Association. The Georgia Municipal Association issues a publicly available financial report on GMEBS that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, Atlanta, Georgia 30303.

Funding Policy - The Plan members are not required to contribute to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 14.05% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

Annual Pension Cost - The required contribution was determined as part of the July 1, 2013, actuarial valuation for the Plan using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% per year investment rate of return (net of investment expenses) and (b) projected salary increases for inflation of 3.5% per year plus age and service based merit increases. The actuarial value of net assets is determined by a roll forward of prior year actuarial values combined with contributions, disbursements and expected return on investments, plus 10% of investment gains (losses) during the prior ten years. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 2002 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 periods, if applicable, are closed for this plan year.

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL/(UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
7/1/2009	$ 1,794,589	$ 3,044,723	58.9%	$ 1,250,134	$ 2,129,107	58.7%
7/1/2010	2,398,564	3,363,646	71.3%	965,082	2,257,047	42.8%
7/1/2011	2,698,520	3,753,892	71.9%	1,055,372	2,290,241	46.1%
7/1/2012	3,026,312	4,087,814	74.0%	1,061,502	2,363,354	44.9%
7/1/2013	3,352,354	4,490,988	74.6%	1,138,634	2,033,864	56.0%
7/1/2014	3,637,444	4,591,818	79.2%	954,374	2,057,665	46.4%

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Note 12 - Pension (continued)

Schedule of Employer Contributions

Year Beginning January 1,	Annual Required Contribution	Actual City Contribution	Percentage Contributed	Net Pension Obligation
2011	$ 255,439	$ 255,439	100%	$ 0
2012	285,681	285,681	100%	0
2013	303,670	242,575	80%	61,095
2014	302,841	302,841	100%	61,095

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

Annual required contribution	$ 302,841
Interest on net OPEB obligation	0
Annual OPEB cost	302,841
Contributions made	302,841
Increase in net OPEB obligation	0
Net OPEB obligation, beginning of year	61,095
Net OPEB obligation, end of year	$ 61,095

Note 13 - Postemployment Benefits Other Than Pensions

Plan Description - The City has established a plan that allows for all full-time city employees that are 62 years old and older with 20 years of service to retire with the City providing health insurance until age 65 through the City's group health insurance plan, which covers both active and retired members. Benefit provisions were established by approval of City Council. The plan is a single-employer defined benefit plan administered by the City and is operated in conjunction with the City's health insurance plan. The plan does not issue a publicly available report.

Funding Policy - The City contributes the full amount of the current-year premiums for eligible retired plan members. The City is financing the postemployment benefits on a pay-as-you-go basis. The City has two retired employees. Both employees began receiving benefits in 2014. For the year 2014, the City recognized $14,875 of net benefit expenditures.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

Note 13 - Postemployment Benefits Other Than Pensions (continued)

Annual required contribution	$	(4,231)
Interest on net OPEB obligation		9,728
Annual OPEB cost		5,497
Contributions made		14,875
Increase in net OPEB obligation		(9,378)
Net OPEB obligation, beginning of year		324,260
Net OPEB obligation, end of year	$	314,882

Methods and Assumptions - The City has under 100 plan members as defined by GASBS 45 - *Accounting and Financial Reporting by Employers for Post employment Benefits other Than Pensions* and, therefore, has elected to use the alternative measurement method allowed by the statement. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, which is consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:
Retirement age for active employees - Based on the historical average retirement age from the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Turnover - Based on historical turnover data for the City, all employees reaching 20 years of employment are assumed to remain employed with the City until age 62.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on actual historical increase for the City. A rate of 10 percent annual increase was used.

Health insurance premiums - 2014 individual health insurance costs per employee for active employees were used as the basis for calculation of the present value of total benefits to be paid.

Based on the rate of return in the City's actuarial report, a discount rate of 3 percent was used.

Trend information - The City's annual OPEB cost , the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Year Ended	*OPEB Cost*	*Contribution (ARC)*	*OPEB Cost Contributed*	*% of ARC Contributed*	*OPEB Obligation*
12/31/2011	169,150	169,150	12,575	7.43%	240,549
12/31/2012	53,928	53,928	27,637	51.25%	266,840
12/31/2013	66,778	66,778	9,358	14.01%	324,260
12/31/2013	5,497	5,497	14,875	270.60%	314,882

Note 13 - Postemployment Benefits Other Than Pensions (continued)

Funded Status and Funding Progress - The funded status and progress of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL/(UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4)/(5)
12/31/2011	0	$ 240,549	0	$ 240,549	$ 472,014	50.96%
12/31/2012	0	266,840	0	266,840	526,822	50.65%
12/31/2013	0	324,260	0	324,260	699,962	46.33%
12/31/2013	0	314,882	0	314,882	523,052	60.20%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about retirement age, future employment, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Note 14 - Net Investment in Capital Assets

The "net investment in capital assets" amount as reported on the government-wide statement of net position as of December 31, 2014, is as follows:

	Governmental Activities	Business-Type Activities
Cost of capital assets	$ 6,892,721	$ 13,819,417
Less accumulated depreciation	3,797,504	8,710,900
Book value	3,095,217	5,108,517
Less capital related debt	77,343	59,584
	$ 3,017,874	$ 5,048,933

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Note 15 - Risk Management

The City joined the Georgia Interlocal Risk Management Agency (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the City's management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims, and representing the City in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" which is established by an actuary. The City has not compiled a record of claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims for which the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2014. No provisions have been made in the financial statements for the year ended December 31, 2014, for any estimate of potential unpaid claims.

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (the Fund). As a participant in the Fund, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the Fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the Fund permits the Fund to levy an assessment upon its members to make up any deficiency the Fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

Note 16 - MEAG Power Contract

In 1976, the City along with 45 other cities and one county (the Participants), all political subdivisions of the State of Georgia, entered into a Power Sales Contract with the Municipal Electric Authority of Georgia (MEAG), a public corporation and instrumentality of the State of Georgia. Under the terms of the agreement, MEAG agrees to provide, and the Participants are obligated to purchase, all of their bulk power supply requirements for a period not to exceed 50 years. In 2004, the Participants unanimously voted to extend the contract with MEAG an additional 50 years. The Participants have agreed to purchase all their future power and energy requirements in excess of that received by the Participants through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by MEAG. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each Participant has guaranteed a portion of the unpaid debt based on their individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations.

At December 31, 2014, the outstanding debt of MEAG was approximately $5.84 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $75 million at December 31, 2014.

In 1999, the City approved a resolution adopting the provisions of the Municipal Competitive Trust (the Trust), which was created by MEAG for the mutual benefit of MEAG and its wholesale customers which have elected to become beneficiaries. The Trust was established to provide MEAG and the trust's beneficiaries a means to mitigate the expected differential between market rates for power and the costs of power generated by MEAG facilities, after deregulation of the electric industry.

Note 16 - MEAG Power Contract (continued)

The Trust created four funds in which the City participates. The following is a brief description of each fund:

Flexible Operating Trust Account - This account is available to the City for withdrawal without restriction. This account has a balance of $3,468,025 at December 31, 2014, and is included as a current investment in the Electric Utility fund.

New Generation Trust Account - This account is available to the City for certain restricted purposes including funding of future generation projects created by MEAG or for the purchase of additional power sales contracts. This account has a balance of $731 at December 31, 2014, and is included as a non-current restricted investment in the Electric Utility fund.

Credit Support Operating Account and Reserve Funded Debt Account - These accounts are restricted to loan or offset to billings from MEAG for power usage, at the discretion of MEAG, and are not currently available to the City. These accounts are not recorded as assets by the Electric fund. The balances in these accounts at December 31, 2014, were as follows:

Credit Support Operating Account	$ 2,408
Reserve Funded Debt Account	5,701,175
	$ 5,703,583

Note 17 - Contingent Liabilities

Federal and State Grant Audits - The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

Litigation - The City was a defendant in two lawsuits at December 31, 2014. In the opinion of City management, the outcome of these contingencies will not have a material effect on the financial position of the City.

Contractual Obligation - The City, through its cooperative participation in the Municipal Electric Authority of Georgia (MEAG), is contractually obligated to purchase additional energy that will be available from MEAG's additional future ownership in Plant Vogtle. This contractual obligation, based on management's estimates, will not materially affect the City's financial position. Management's estimates are based in part on increased industrial energy sales projected and the City's ability to increase consumer rates to cover energy cost increases.

Because the General Fund of the City relies heavily on the operating profits of the Utility Funds, the general fund financial position would be materially effected, should management's projections not be realized.

Economic Dependency - The City's electric utility fund sells an estimated 80% of its power to its industrial customers, with 79% of total sales from one customer. This one customer accounts more than 94% of the gross profits. Should the gross profit from these industrial customers materially decrease, the City's financial position would be materially affected in the future. Additionally, the City purchases almost all of the electricity it sells from Municipal Electric Authority of Georgia and purchases all of the gas it sells from Municipal Gas Authority of Georgia.

Note 18 - Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the coastal Georgia area, is a member of the Coastal Regional Commission of Georgia (CRC) and is required to pay annual dues thereto. Membership in a CRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the CRC in Georgia. The CRC board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a CRC. Separate financial statements may be obtained from CRC, 127 F Street, Brunswick, Georgia 31520.

Note 19 - Related Organizations

The Housing Authority of the City of Sylvania, Georgia (the Housing Authority) is considered a related organization. The Housing Authority is a legally separate entity having a board composed of members appointed primarily by the City of Waynesboro, Georgia. The City appoints one member to the board. The City is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority is a related organization.

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City of Sylvania, Georgia
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	$ 859,810	$ 859,810	$ 829,548	$ (30,262)
Intergovernmental	187,377	187,377	229,717	42,340
Licenses and permits	67,930	67,930	66,570	(1,360)
Charges for services	44,800	44,800	75,482	30,682
Fines and forfeitures	148,150	148,150	134,895	(13,255)
Investment earnings	4,000	4,000	4,573	573
Contributions	800	800	16,515	15,715
Miscellaneous	21,500	21,500	22,477	977
Total revenues	1,334,367	1,334,367	1,379,777	45,410
Expenditures				
Current:				
General government:				
Legislative	19,002	19,002	17,745	1,257
Executive - Mayor	7,018	7,018	6,880	138
Executive - Manager	192,393	197,294	197,294	0
Financial administration	346,300	361,368	361,368	0
Purchase/contractual services	4,800	4,800	4,425	375
Judicial	55,762	55,762	54,888	874
Public safety:				
Police	861,190	910,638	910,638	0
Fire	468,385	519,074	519,074	0
Animal control	15,640	15,640	14,491	1,149
Public works:				
Streets	314,450	350,976	350,976	0
Garage	167,905	172,904	172,904	0
Health and welfare - Nutrition program	158,419	158,419	152,384	6,035
Culture and recreation	98,900	98,900	58,452	40,448
Housing and development				
Building and zoning	3,365	3,365	2,124	1,241
Downtown development	38,700	38,700	37,952	748
Total expenditures	2,752,229	2,913,860	2,861,595	52,265
Deficiency of revenues to expenditures	(1,417,862)	(1,579,493)	(1,481,818)	97,675
Other financing sources				
Inception of capital lease			32,307	32,307
Sale of asset	1,000	1,000	1,119	119
Interfund transfers	1,416,862	1,416,862	1,304,351	(112,511)
Total other financing sources	1,417,862	1,417,862	1,337,777	(80,085)
Net change in fund balances	$ 0	$ (161,631)	(144,041)	$ 17,590
Fund balances beginning of year			980,617	
Fund balances end of year			$ 836,576	

See the accompanying notes to the required supplementary information.

City of Sylvania, Georgia
UDAG Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Investment earnings	$ 3,100	$ 3,100	$ 5,019	$ 1,919
Expenditures - Housing and development	200,000	200,000	0	(200,000)
Net change in fund balance	$ (196,900)	$ (196,900)	5,019	$ 201,919
Fund balances beginning of year			945,970	
Fund balances end of year			$ 950,989	

Note 1 - Budgetary Information

The City adopts an annual operating budget for the general fund, each special revenue fund, each capital projects fund and the debt service fund.

All budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund.

The City Manager may approve budget transfers within departments. Any changes to a fund total or departmental appropriation within a fund requires approval of the City Council. During the year, there were no budget revisions.

All unexpended annual appropriations lapse at year-end.

On the budgetary basis, debt service expenditures (i.e. $35,188) are budgeted within the functions but are reported as separate character classifications on the GAAP basis.

City of Sylvania, Georgia
General Fund
Comparative Balance Sheet
December 31, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	$ 878,758	$ 1,014,185
Receivables:		
Accounts	70,352	72,293
Property taxes	114,190	108,495
Other	55,986	30,478
Interest	1,471	1,366
Interfund balances	6,488	833
Prepaid items	23,636	17,321
Total assets	$ 1,150,881	$ 1,244,971
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	$ 152,816	$ 92,510
Accrued expenditures		48,190
Interfund balances	1,340	
Unearned revenue	66,227	31,305
Total liabilities	220,383	172,005
Deferred inflows of resources - property taxes	93,922	92,349
Total liabilities and deferred inflows of resources	314,305	264,354
Fund balances		
Nonspendable - prepaid items	23,636	17,321
Unassigned	812,940	963,296
Total fund balances	836,576	980,617
Total liabilities, deferred inflows of resources and fund balances	$ 1,150,881	$ 1,244,971

City of Sylvania, Georgia
General Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Years Ended December 31, 2014 and 2013

	2014	2013
Revenues		
Taxes	$ 829,548	$ 838,395
Intergovernmental	229,717	128,880
Licenses and permits	66,570	71,679
Charges for services	75,482	90,892
Fines and forfeitures	134,895	134,078
Investment earnings	4,573	3,963
Contributions and donations	16,515	3,166
Miscellaneous	22,477	28,729
Total revenues	1,379,777	1,299,782
Expenditures		
Current:		
General government:		
Legislative	17,745	16,734
Executive - Mayor	6,880	7,168
Executive - Manager	196,703	147,849
Elections		3,613
Financial administration	360,482	326,001
Purchase/contract services	4,425	4,767
Judicial	54,888	53,531
Public safety:		
Police	888,448	869,606
Fire	508,144	472,747
Animal control	13,900	13,564
Public works:		
Streets	350,976	332,739
Garage	172,904	153,309
Health and welfare - Nutrition program	152,384	154,287
Culture and recreation	58,452	75,408
Housing and development		
Building and zoning	2,124	2,512
Economic development and assistance	37,952	42,422
Debt service:		
Principal retirement	33,274	27,920
Interest and fiscal charges	1,914	1,909
Total expenditures	2,861,595	2,706,086
Deficiency of revenues to expenditures	(1,481,818)	(1,406,304)
Other financing sources		
Inception of capital lease	32,307	30,000
Proceeds from sale of asset	1,119	
Interfund transfers	1,304,351	1,439,272
Total other financing sources	1,337,777	1,469,272
Net change in fund balances	(144,041)	62,968
Fund balances beginning of year	980,617	917,649
Fund balances end of year	$ 836,576	$ 980,617

City of Sylvania, Georgia
UDAG Fund
Comparative Balance Sheet
December 31, 2014 and 2013

	2014	2013
Assets		
Restricted cash and cash equivalents	$ 865,544	$ 852,061
Receivables - notes	85,445	93,909
Total assets	$ 950,989	$ 945,970
Liabilities and Fund Balances		
Fund Balances		
Restricted for housing and development	$ 950,989	$ 945,970

City of Sylvania, Georgia
UDAG Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Years Ended December 31, 2014 and 2013

	2014	2013
Revenues		
Investment earnings	$ 5,019	$ 13,373
Expenditures		
Net change in fund balance	5,019	13,373
Fund balances beginning of year	945,970	932,597
Fund balances end of year	$ 950,989	$ 945,970

City of Sylvania, Georgia
Combining Balance Sheet - By Fund Type
Nonmajor Governmental Funds
December 31, 2014

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Restricted cash and cash equivalents	$ 2,881	$ 352,039	$ 354,920
Interfund balances	1,340		1,340
Total assets	$ 4,221	$ 352,039	$ 356,260
Liabilities and Fund Balances			
Liabilities			
Accounts payable		$ 35,840	$ 35,840
Interfund balances		6,488	6,488
Total liabilities	$ 0	42,328	42,328
Fund Balances			
Restricted for:			
Capital projects		309,711	309,711
Public safety	4,221		4,221
Total fund balances	4,221	309,711	313,932
Total liabilities and fund balances	$ 4,221	$ 352,039	$ 356,260

City of Sylvania, Georgia

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - By Fund Type

Nonmajor Governmental Funds

For the Year Ended December 31, 2014

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	$ 15,346		$ 15,346
Intergovernmental		$ 162,385	162,385
Fines and forfeitures	2,128		2,128
Investment earnings		266	266
Total revenues	17,474	162,651	180,125
Expenditures			
Current:			
Housing and development	15,346		15,346
Capital Outlays		25,964	25,964
Total expenditures	15,346	25,964	41,310
Excess of revenues to expenditures	2,128	136,687	138,815
Other financing uses			
Transfer to water and sewer fund		(89,386)	(89,386)
Net change in fund balances	2,128	47,301	49,429
Fund balances beginning of year	2,093	262,410	264,503
Fund balances end of year	$ 4,221	$ 309,711	$ 313,932

City of Sylvania, Georgia

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended December 31, 2014

	Hotel/Motel Tax Fund	Confiscated Assets Fund	Total Nonmajor Special Revenue Funds
Revenues			
Taxes	$ 15,346		$ 15,346
Fines and forfeitures		$ 2,128	2,128
Total revenues	15,346	2,128	17,474
Expenditures			
Current:			
Housing and development	15,346		15,346
Excess of revenues over expenditures	0	2,128	2,128
Fund balances beginning of year		2,093	2,093
Fund balances end of year	$ 0	$ 4,221	$ 4,221

City of Sylvania, Georgia
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2014
(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014				2013
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Taxes	$ 12,000	$ 15,346	$ 15,346	$ 0	$ 13,983
Expenditures					
Current:					
Housing and development	12,000	15,346	15,346	0	13,983
Net change in fund balance	$ 0	$ 0	0	$ 0	0
Fund balances beginning of year			0		0
Fund balances end of year			$ 0		$ 0

City of Sylvania
Confiscated Assets Fund
Comparative Balance Sheet
December 31, 2014 and 2013

	2014	2013
Assets		
Restricted cash and cash equivalents	$ 2,881	$ 2,881
Interfund balance	1,340	
Total assets	$ 4,221	$ 2,881
Liabilities and Fund Balances		
Liabilities		
Interfund balance		$ 788
Fund Balances		
Restricted for public safety	$ 4,221	2,093
Total liabilities and fund balances	$ 4,221	$ 2,881

City of Sylvania, Georgia
Confiscated Assets Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2014
(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014				2013
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Fines and forfeitures	$ 0	$ 0	$ 2,128	$ 2,128	$ 0
Expenditures	0	0		0	
Excess of revenues to expenses	$ 0	$ 0	2,128	$ 2,128	$ 0
Fund balances beginning of year			2,093		2,093
Fund balances end of year			$ 4,221		$ 2,093

City of Sylvania, Georgia
Combining Balance Sheet - Nonmajor Capital Projects Funds
For the Year Ended December 31, 2014

	2007 SPLOST	2013 SPLOST	Total Nonmajor Capital Projects Funds
Assets			
Restricted cash and cash equivalents	$ 40,128	$ 311,911	$ 352,039
Liabilities and Fund Balances			
Liabilities			
Accounts payable - intergovernmental		$ 35,840	$ 35,840
Interfund balances	$ 45	6,443	6,488
Total liabilities	45	42,283	42,328
Fund Balances			
Restricted for capital projects	40,083	269,628	309,711
Total liabilities and fund balances	$ 40,128	$ 311,911	$ 352,039

City of Sylvania, Georgia

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Capital Projects Funds

For the Year Ended December 31, 2014

	2007 SPLOST	2013 SPLOST	Total Nonmajor Capital Projects Funds
Revenues			
Intergovernmental		$ 162,385	$ 162,385
Investment earnings	$ 41	225	266
Total revenues	41	162,610	162,651
Expenditures			
Capital outlays			
Public works - streets		6,464	6,464
Recreation		19,500	19,500
	0	25,964	25,964
Excess of revenues to expenditures	41	136,646	136,687
Other financing uses			
Transfer to water and sewer fund	(89,386)		(89,386)
Net change in fund balances	(89,345)	136,646	47,301
Fund balances beginning of year	129,428	132,982	262,410
Fund balances end of year	$ 40,083	$ 269,628	$ 309,711

City of Sylvania
2007 SPLOST Capital Projects Fund
Comparative Balance Sheet
December 31, 2014 and 2013

	2014	2013
Assets		
Restricted cash and cash equivalents	$ 40,128	$ 129,473
Liabilities and Fund Balances		
Liabilities		
Interfund balances	$ 45	$ 45
Fund Balances		
Restricted for capital projects	40,083	129,428
Total liabilities and fund balances	$ 40,128	$ 129,473

City of Sylvania
2007 SPLOST Capital Projects Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended December 31, 2014 and 2013

	2014	2013
Revenues		
Investment earnings	$ 41	$ 105
Expenditures	0	0
Excess of revenues to expenditures	41	105
Other financing uses		
Transfer to water and sewer fund	(89,386)	
Net change in fund balances	(89,345)	105
Fund balances beginning of year	129,428	129,323
Fund balances end of year	$ 40,083	$ 129,428

City of Sylvania
2013 SPLOST Capital Projects Fund
Comparative Balance Sheet
December 31, 2014 and 2013

	2014	2013
Assets		
Restricted cash and cash equivalents	$ 311,911	$ 140,884
Liabilities and Fund Balances		
Liabilities		
Accounts payable - intergovernmental	$ 35,840	$ 7,902
Interfund balances	6,443	
Total liabilities	42,283	7,902
Fund Balances		
Restricted for capital projects	269,628	132,982
Total liabilities and fund balances	$ 311,911	$ 140,884

City of Sylvania
2013 SPLOST Capital Projects Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended December 31, 2014 and 2013

	2014	2013
Revenues		
Intergovernmental	$ 162,385	$ 164,121
Investment earnings	225	64
Total revenues	162,610	164,185
Expenditures		
Capital outlays		
General government - city buildings		14,003
Public works - streets	6,464	2,200
Recreation	19,500	
	25,964	16,203
Excess revenues to expenditures	136,646	147,982
Other financing uses		
Transfer to water and sewer fund		(15,000)
Net change in fund balances	136,646	132,982
Fund balances beginning of year	132,982	
Fund balances end of year	$ 269,628	$ 132,982

City of Sylvania, Georgia
Water and Sewer Fund
Comparative Schedule of Net Position
December 31, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$ 41,213	$ 40,888
Accounts receivable	100,169	78,020
Prepaid insurance	7,781	8,403
Total current assets	149,163	127,311
Noncurrent assets		
Capital assets		
Nondepreciable capital asset	134,413	30,948
Depreciable capital assets, net	2,736,605	2,836,691
Total noncurrent assets	2,871,018	2,867,639
Total assets	3,020,181	2,994,950
Liabilities		
Current liabilities		
Accounts payable	47,504	29,217
Accrued interest payable	365	364
Accrued payroll		9,729
Compensated absences payable	15,819	13,990
Capital lease payable	7,096	
Notes payable	12,140	19,521
Total current liabilities	82,924	72,821
Long-term liabilities		
Compensated absences payable (net of current portion)	27,981	18,210
Post-employment benefit payable	10,367	10,927
Capital lease payable (net of current portion)	28,918	
Notes payable (net of current portion)		80,685
Total long-term liabilities	67,266	109,822
Total liabilities	150,190	182,643
Net position		
Net investment in capital assets	2,822,864	2,767,433
Unrestricted	47,127	44,874
Total net position	$ 2,869,991	$ 2,812,307

City of Sylvania, Georgia
Water and Sewer Fund
Comparative Schedule of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2014 and 2013

	2014	2013
Operating Revenues		
Charges for services	$ 1,128,120	$ 1,061,220
Miscellaneous	10,960	10,815
Total operating revenues	1,139,080	1,072,035
Operating expenses		
Salaries	297,728	268,974
Social security	21,005	18,591
Group insurance	53,527	45,860
Retirement and other post-employment benefits	38,049	18,117
Workers' compensation	14,265	15,959
Contract services	29,677	24,459
Chemicals	21,393	17,628
Materials and supplies	27,638	24,157
Gas, oil, and tires	18,035	14,935
Uniforms and safety equipment	753	2,081
Vehicle repairs	17,701	6,514
Engineering and consulting	5,344	
Meter reading	409	12,503
Postage	4,147	3,698
Communications	2,424	2,598
Insurance	31,814	35,270
Public utilities	84,612	91,884
Maintenance and testing	116,089	74,082
Tipping fees	13,756	16,145
Bad debts	4,550	4,294
Other	15,403	6,334
Depreciation	137,886	137,092
Total operating expenses	956,205	841,175
Operating income	182,875	230,860
Non-operating revenues (expenses)		
Interest and fiscal charges	(1,649)	(4,527)
CDBG proceeds	11,220	
Investment earnings		248
Total non-operating revenues (expenses)	9,571	(4,279)
Income before transfers	192,446	226,581
Interfund transfers		
Transfer in - SPLOST	89,386	15,000
Transfers out	(224,148)	(380,080)
Total transfers	(134,762)	(365,080)
Change in net position	57,684	(138,499)
Net position beginning of year	2,812,307	2,950,806
Net position end of year	$ 2,869,991	$ 2,812,307

City of Sylvania, Georgia
Electricity Utility Fund
Comparative Schedule of Net Position
December 31, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 104,107	$ 104,940
Investments	3,468,025	2,399,306
Accounts receivable	3,210,644	3,185,853
Prepaid insurance	5,430	4,343
Total current assets	6,788,206	5,694,442
Noncurrent assets		
Restricted assets:		
Investments - MEAG Generation Trust	731	723
Capital assets:		
Depreciable capital assets, net	1,912,231	1,998,800
Total noncurrent assets	1,912,962	1,999,523
Total assets	8,701,168	7,693,965
Liabilities		
Current liabilities		
Accounts payable	4,577,674	4,213,719
Sales tax payable	24,338	32,438
Accrued liabilities		10,141
Compensated absences payable	24,849	18,475
Customer deposits payable	250,503	259,403
Capital lease	7,744	7,038
Total current liabilities	4,885,108	4,541,214
Long-term liabilities		
Compensated absences payable (net of current portion)	54,820	63,009
Post-employment benefit payable	31,800	33,516
Capital lease (net of current portion)	1,233	8,381
	87,853	104,906
Total liabilities	4,972,961	4,646,120
Net Position		
Net investment in capital assets	1,903,254	1,983,381
Restricted - MEAG power generation and credit support	731	723
Unrestricted	1,824,222	1,063,741
Total Net Position	$ 3,728,207	$ 3,047,845

City of Sylvania, Georgia
Electricity Utility Fund
Comparative Schedule of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2014 and 2013

	2014	2013
Operating revenues		
Charges for services	$ 32,121,054	$ 29,401,666
Miscellaneous	12,146	4,320
Total operating revenues	32,133,200	29,405,986
Operating expenses		
Cost of sales	30,041,394	27,315,902
Salaries	361,456	332,204
Social security	26,380	23,325
Group insurance	50,796	62,726
Retirement and other post-employment benefits	34,741	22,342
Workers' compensation	8,003	14,179
Legal fees		306
Contract labor and services	1,532	1,090
Materials and supplies	109,120	46,432
Gas, oil, and tires	14,257	10,556
Uniforms and safety equipment	684	1,743
Vehicle repairs	22,091	11,805
Engineering and consulting	13,380	47,159
Meter reading	409	12,503
Postage	3,622	2,935
Communications	1,188	1,377
Insurance	14,008	12,503
Public utilities	8,368	7,363
Maintenance and testing	155,898	11,212
Bad debts	23,804	12,161
Other	7,435	1,347
Depreciation	107,272	120,776
Total operating expenses	31,005,838	28,071,946
Operating income	1,127,362	1,334,040
Non-operating revenues (expenses)		
Interest and fiscal charges	(139,728)	(105,045)
Investment earnings	20,318	612
FEMA grant proceeds	327,371	
MEAG Generation Trust investment earnings	7	1
Total non-operating revenues (expenses)	207,968	(104,432)
Income before transfers	1,335,330	1,229,608
Interfund transfers	(654,968)	(560,606)
Change in net position	680,362	669,002
Net position beginning of year	3,047,845	2,378,843
Net position end of year	$ 3,728,207	$ 3,047,845

City of Sylvania, Georgia
Gas Utility Fund
Comparative Schedule of Net Position
December 31, 2014 and 2013

	2014	2013
Assets		
Current assets		
Accounts receivable	$ 684,526	$ 538,715
Prepaid insurance	1,357	1,127
Total current assets	685,883	539,842
Noncurrent assets		
Capital assets		
Depreciable capital assets, net	310,290	323,414
Total assets	996,173	863,256
Liabilities		
Current liabilities		
Accounts payable	421,522	299,197
Accrued payroll		3,594
Compensated absences payable	5,394	4,679
Total current liabilities	426,916	307,470
Long-term liabilities		
Compensated absences payable (net of current portion)	3,596	3,120
Post-employment benefit payable	42,514	44,809
	46,110	47,929
Total liabilities	473,026	355,399
Net Position		
Net investment in capital assets	310,290	323,414
Unrestricted	212,857	184,443
Total net position	$ 523,147	$ 507,857

City of Sylvania, Georgia
Gas Utility Fund
Comparative Schedule of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2014 and 2013

	2014	2013
Operating revenues		
Charges for services	$ 4,341,659	$ 3,750,498
Operating expenses		
Cost of sales	3,731,376	3,146,178
Salaries	77,132	91,911
Social security	5,460	6,862
Group insurance	17,446	17,524
Retirement and other post-employment benefits	15,918	15,320
Workers' compensation		2,810
Chemicals		50
Materials and supplies	7,654	6,997
Gas, oil, and tires	4,154	4,009
Uniforms and safety equipment	186	869
Vehicle repairs	481	2,741
Meter reading	409	12,503
Postage	3,584	3,028
Communications	1,864	2,786
Insurance	3,477	3,124
Public utilities	1,040	656
Maintenance and testing	19,658	12,505
Bad debts	3,167	2,613
Other	4,147	2,028
Depreciation	13,124	13,185
Total operating expenses	3,910,277	3,347,699
Operating income	431,382	402,799
Interfund transfers	(416,092)	(427,817)
Change in net position	15,290	(25,018)
Net position beginning of year	507,857	532,875
Net position end of year	$ 523,147	$ 507,857

City of Sylvania, Georgia
Sanitation Fund
Comparative Schedule of Net Position
December 31, 2014 and 2013

	2014	2013
Assets		
Current assets		
Accounts receivable	$ 41,556	$ 43,587
Prepaid insurance	3,801	3,282
Total current assets	45,357	46,869
Noncurrent assets		
Capital assets		
Nondepreciable capital assets, net	6,507	6,507
Depreciable capital assets, net	8,471	30,838
Total noncurrent assets	14,978	37,345
Total assets	60,335	84,214
Liabilities		
Current liabilities		
Accounts payable	13,262	8,944
Accrued payroll		8,223
Compensated absences payable	14,680	10,252
Post-employment benefit payable	5,834	
Capital lease	2,116	21,723
Total current liabilities	35,892	49,142
Long-term liabilities		
Compensated absences payable (net of current portion)	17,696	27,489
Post-employment benefit payable (net of current portion)	97,733	90,162
Capital lease (net of current portion)	337	3,009
	115,766	120,660
Total liabilities	151,658	169,802
Net position		
Net investment in capital assets	12,525	12,613
Unrestricted	(103,848)	(98,201)
Total net position	$ (91,323)	$ (85,588)

City of Sylvania, Georgia
Sanitation Fund
Comparative Schedule of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2014 and 2013

	2014	2013
Operating revenues		
Charges for services	$ 492,295	$ 493,649
Operating expenses		
Salaries	230,683	227,191
Social security	17,361	16,467
Group insurance	47,771	46,449
Retirement and other post-employment benefits	46,521	89,498
Workers' compensation	5,737	6,821
Contract labor	23,586	
Gas, oil, and tires	31,467	31,005
Uniforms and safety equipment	2,455	3,398
Vehicle repairs	19,689	8,183
Insurance	9,868	13,418
Repairs, maintenance and testing	8,822	1,618
Tipping fees	18,901	23,807
Bad debts	1,925	2,215
Other	1,209	883
Depreciation	22,367	26,330
Total operating expenses	488,362	497,283
Operating income (loss)	3,933	(3,634)
Non-operating expenses		
Interest and fiscal charges	(525)	(1,540)
Income (loss) before transfers	3,408	(5,174)
Interfund transfers	(9,143)	(70,769)
Change in net position	(5,735)	(75,943)
Net position beginning of year	(85,588)	(9,645)
Net position end of year	$ (91,323)	$ (85,588)

CITY OF SYLVANIA, GEORGIA
SCHEDULE OF HOTEL/MOTEL TAX
FOR THE YEAR ENDED DECEMBER 31, 2014

In accordance with O.C.G.A. 48-13-51, the City of Sylvania levies a 5% tax on hotel/motel lodging and disburses collected funds to the Screven County Chamber of Commerce and the Sylvania Downtown Development authority to use for the promotion of tourism.

This schedule provides information on the amount of Hotel/Motel tax cash receipts and the amount of such receipts which were disbursed or contractually committed to be disbursed to the Screven County Chamber of Commerce and the Sylvania Downtown Development Authority.

Revenues and expenditures for the year ended December 31, 2014, were as follows.

	Amount	Amount as a percentage of revenue
Hotel/Motel tax cash receipts	$ 15,346	
Expenditures to:		
Screven County Chamber of Commerce	$ 7,200	
Sylvania Downtown Development Authority	8,146	
	$ 15,346	100.00%

City of Sylvania, Georgia
Schedule of Projects Constructed with
Special Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2014

2007 SPLOST

	Original Estimated Cost	Revised Estimated Cost	Actual Cost			Estimated Percentage Complete
			Prior Years	Current Year	Total	
Community Outdoor Amphitheater	$ 50,000	$ 50,000	$ 50,000		$ 50,000	100.00%
Retire GEFA Debt	262,471	543,041	453,655	$ 89,386	543,041	100.00%
Waste Water Plant	425,000	315,620	275,537		275,537	87.30%
Street Resurfacing	75,000	35,000	35,000		35,000	100.00%
Class A Fire Truck	215,000	215,000	215,000		215,000	100.00%
	$ 1,027,471	$ 1,158,661	$ 1,029,192	$ 89,386	$ 1,118,578	

2013 SPLOST

	Original Estimated Cost	Revised Estimated Cost	Actual Cost			Estimated Percentage Complete
			Prior Years	Current Year	Total	
Upgrade city facilities	315,500	315,500	$ 14,003		$ 14,003	4.44%
Street paving, sidewalks, bike paths, curbs and gutters	478,855	478,855	2,200	6,464	8,664	1.81%
Sanitation trucks	327,600	327,600				0.00%
Airport infrastructure	136,500	136,500				0.00%
Retire GEFA debt	227,500	227,500	15,000		15,000	6.59%
Passive parks and nature center development	158,250	158,250		19,500	19,500	12.32%
	$ 1,644,205	$ 1,644,205	$ 31,203	$ 25,964	$ 57,167	

CAINES HODGES
CERTIFIED PUBLIC ACCOUNTANTS

Donald T. Caines, CPA
Carlton H. Hodges, CPA

Caines, Hodges & Company, P.C.
200 E. Saint Julian Street • Suite 603
Savannah, GA 31401
Tel: (912) 233-6383
www.caineshodges.com

Member American Institute of Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Council
City of Sylvania, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Sylvania, Georgia, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City of Sylvania, Georgia's basic financial statements, and have issued our report thereon dated June 17, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sylvania, 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 matter that is 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.

Carnes, Hodges & Company, P.C.

June 17, 2015