CITY OF TENNILLE, GEORGIA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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WRIGHT & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
130 NORTH HARRIS STREET • POST OFFICE BOX 1014
SANDERSVILLE, GEORGIA 31082
email: wwpc@wrightandwrightpc.com

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

TELEPHONE (478) 552-6146
FACSIMILE (478) 552-6158

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
City of Tennille, Georgia

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the City of Tennille, Georgia, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 30 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City of Tennille, Georgia has not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financials statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tennille, Georgia's basic financial statements. The schedule of projects constructed with special sales tax proceeds and the other schedules included in other supplementary information as described in the accompanying table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Tennille, Georgia.

The schedule of projects constructed with special sales tax proceeds and the other schedules included in other supplementary information as described in the accompanying table of contents is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The schedule of projects constructed with special sales tax proceeds and the other schedules included in other supplementary information as described in the accompanying table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 30, 2013 on our consideration of the City of Tennille, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tennille, Georgia's internal control over financial reporting and compliance.

Wright & Wright, P.C.

December 30, 2013

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board ("GASB"). The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
  - Governmental funds
  - Proprietary (enterprise) funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 23,004	$ 9,071	$ 32,075	$ 7,516
Restricted assets:				
Cash in bank	-	69,080	69,080	-
Accounts receivable, net	38,202	555,994	594,196	-
Receivable from other governments	50,991	-	50,991	-
Due from grantor agencies	-	-	-	-
Internal balances	100	(100)	-	-
Total current assets	112,297	634,045	746,342	7,516
Noncurrent assets:				
Nondepreciable	84,109	243,341	327,450	-
Depreciable capital assets, net of accumulated depreciation	1,161,410	9,571,128	10,732,538	-
Total assets	1,357,816	10,448,514	11,806,330	7,516
LIABILITIES:				
Current liabilities:				
Bank overdrafts	14,699	-	14,699	-
Accounts payable	63,491	83,795	147,286	655
Current portion of long-term debt	45,539	120,527	166,066	-
Liabilities payable from restricted assets:				
Accrued interest payable	-	3,237	3,237	-
Current portion of bonds payable	-	45,495	45,495	-
Meter deposits held	-	47,015	47,015	-
Other accrued liabilities	25,086	3,593	28,679	996
Total current liabilities	148,815	303,662	452,477	1,651
Noncurrent liabilities:				
Notes and revenue bonds payable, less current portion	50,904	3,139,167	3,190,071	-
Total liabilities	199,719	3,442,829	3,642,548	1,651
NET POSITION:				
Net investment in capital assets	1,149,076	6,509,280	7,658,356	-
Restricted for:				
Revenue bond retirement	-	162,804	162,804	-
Economic development	-	470,000	470,000	-
Transportation improvements	5,982	-	5,982	-
Capital projects	20,785	-	20,785	-
Public safety	7,833	-	7,833	-
Unrestricted	(25,579)	(136,399)	(161,978)	5,865
	$ 1,158,097	$ 7,005,685	$ 8,163,782	$ 5,865

See accompanying notes to the basic financial statements

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit
Primary government:								
Governmental activities:								
General government	$ 198,025	$ 95,352	$ 31,093	$ -	$ (71,580)	$ -	$ (71,580)	
Public safety	797,011	103,308	71,696	-	(622,007)	-	(622,007)	
Street department	413,447	134,298	-	128,355	(150,794)	-	(150,794)	
Recreation	3,570	-	-	-	(3,570)	-	(3,570)	
Library	750	-	-	-	(750)	-	(750)	
Interest on long-term debt	3,398	-	-	-	(3,398)	-	(3,398)	
Total governmental activities	1,416,201	332,958	102,789	128,355	(852,099)	-	(852,099)	
Business-type activities:								
Water and sewer fees	876,475	633,151		135,210	-	(108,114)	(108,114)	
Revolving loan fund	9,000	-	-	201,286	-	192,286	192,286	
Total business-type activities	885,475	633,151	-	336,496	-	84,172	84,172	
Total primary government	$ 2,301,676	$ 966,109	$ 102,789	$ 464,851	(852,099)	84,172	(767,927)	
Component Unit:								
Downtown Development Authority	$ 32,978	$ 11,479	$ 17,627	$ -				$ (3,872)
		General revenues:						
		Taxes:						
		Property taxes			222,590	-	222,590	-
		General sales and use tax			232,513	-	232,513	-
		Franchise tax			105,493	-	105,493	-
		Insurance company premium tax			76,673	-	76,673	-
		Other taxes			75,503	-	75,503	-
		Grants and contributions			193,162	-	193,162	-
		Interest and dividend earnings			-	34	34	-
		Miscellaneous			37,104	-	37,104	-
		Transfers			(329,715)	329,715	-	-
		Total general revenues and transfers			613,323	329,749	943,072	-
		Change in net position			(238,776)	413,921	175,145	(3,872)
		Net position, beginning			1,396,873	6,591,764	7,988,637	9,737
		Net position, ending			$ 1,158,097	$ 7,005,685	$ 8,163,782	$ 5,865

See accompanying notes to the basic financial statements

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

	General Fund	TSPLOST Special Revenue Fund	Capital Projects Fund 2009	CDBG Fund 2011	Police Narcotics Division Fund	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	$ -	$ 3,288	$ 8,683	$ 3,200	$ 7,833	$ 23,004
Accounts receivable, net	38,202	-	-	-	-	38,202
Receivable from other governments	39,395	2,694	8,902	-	-	50,991
Receivables from other funds	100	-	-	-	-	100
Total assets	$ 77,697	$ 5,982	$ 17,585	$ 3,200	$ 7,833	$ 112,297
LIABILITIES:						
Bank overdrafts	$ 14,699	$ -	$ -	$ -	$ -	$ 14,699
Accounts payable	63,491	-	-	-	-	63,491
Other liabilities	11,181	-	-	-	-	11,181
Payable to other funds	-	-	-	-	-	-
Deferred revenue	3,572	-	-	-	-	3,572
Total liabilties	92,943	-	-	-	-	92,943
FUND BALANCES:						
Non-spendable fund balance	-	-	-	-	-	-
Restricted fund balance:						
Capital projects	-	-	17,585	3,200	-	20,785
Transportation improvements	-	5,982	-	-	-	5,982
Committed fund balance	-	-	-	-	-	-
Assigned fund balance:						
Public safety	-	-	-	-	7,833	7,833
Unassigned fund balance	(15,246)	-	-	-	-	(15,246)
Total fund balances	(15,246)	5,982	17,585	3,200	7,833	19,354
Total liabilities and fund balance	$ 77,697	$ 5,982	$ 17,585	$ 3,200	$ 7,833	

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $1,099,572	1,245,519
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Accounts receivable, net of allowance for doubtful accounts of $0	3,572
Long-term notes payable are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(13,905)
Notes payable	(96,443)
Net position of governmental activities	$ 1,158,097

See accompanying notes to the basic financial statements

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

	General Fund	TSPLOST Special Revenue Fund	Capital Projects Fund 2009	CDBG 2011	Police Narcotic Division Fund	Total Governmental Funds
REVENUES:						
Taxes	$ 711,592	$ 15,982	$ -	$ -	$ -	$ 727,574
Licenses and permits	34,243	-	-	-	-	34,243
Intergovernmental	71,696	15,111	128,355	193,162	-	408,324
Charges for services	267,508	-	-	-	12,988	280,496
Other	55,323	-	-	-	-	55,323
Total revenues	1,140,362	31,093	128,355	193,162	12,988	1,505,960
EXPENDITURES:						
Current operating:						
General government	176,111	-	4,875	-	-	180,986
Street department	398,305	-	-	-	-	398,305
Public safety	716,964	-	-	-	12,509	729,473
Parks and recreation	2,400	-	-	-	-	2,400
Library	750	-	-	-	-	750
Debt service:						
Principal	8,678	-	32,101	-	-	40,779
Interest and other charges	670	-	2,728	-	-	3,398
Capital outlays	-	-	92,786	195,062	-	287,848
Total expenditures	1,303,878	-	132,490	195,062	12,509	1,643,939
Excess (deficiency) of revenues over expenditures	(163,516)	31,093	(4,135)	(1,900)	479	(137,979)
OTHER FINANCING SOURCES (USES):						
Loan proceeds	47,643	-	-	-	-	47,643
Transfers in (out)	(58,706)	(25,111)	-	-	-	(83,817)
Total other financing sources and uses	(11,063)	(25,111)	-	-	-	(36,174)
Net change in fund balance	(174,579)	5,982	(4,135)	(1,900)	479	(174,153)
FUND BALANCE, beginning of year	159,333	-	21,720	5,100	7,354	193,507
FUND BALANCE, end of year	$ (15,246)	$ 5,982	$ 17,585	$ 3,200	$ 7,833	$ 19,354

(Continued)

See accompanying notes to the basic financial statements

CITY OF TENNILLE, GEORGIA

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds	$ (174,153)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital outlays	98,246
Depreciation	(132,681)
	(34,435)
The effect of various capital asset disposals and sales, net of accumulated depreciation	(24,504)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Receivables, net of deferred revenue	1,180
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	-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets:	
Issuance of long-term debt	(47,643)
Repayment of long-term debt	40,779
	(6,864)
	$ (238,776)

See accompanying notes to the basic financial statements

CITY OF TENNILLE, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water and Sewer Fund	Revolving Loan Fund	Total
ASSETS			
CURRENT ASSETS:			
Cash in bank	$ 8,971	$ 100	$ 9,071
Restricted assets:			
Cash in bank	69,080	-	69,080
Accounts receivable, net of allowance	85,994	470,000	555,994
Due from grantor agencies	-	-	-
Total current assets	164,045	470,100	634,145
NONCURRENT ASSETS:			
Capital Assets:			
Land	2,320	-	2,320
Distribution system	12,275,455	-	12,275,455
Vehicles	28,206	-	28,206
Construction in progress	241,021	-	241,021
	12,547,002	-	12,547,002
Less accumulated depreciation	(2,732,533)	-	(2,732,533)
Total capital assets	9,814,469	-	9,814,469
Total assets	9,978,514	470,100	10,448,614
LIABILITIES			
CURRENT LIABILITIES:			
Current portion of long-term debt	120,527	-	120,527
Accounts payable	83,795	-	83,795
Due to General Fund	-	100	100
Accrued absences	3,593	-	3,593
Meter deposits held	47,015	-	47,015
Liabilities payable from restricted assets:			
Accrued interest payable	3,237	-	3,237
Current portion of bonds payable	45,495	-	45,495
Total current liabilities	303,662	100	303,762
NONCURRENT LIABILITIES:			
Water revenue bonds, net of current portion	2,678,070	-	2,678,070
Notes payable, net of current portion	461,097	-	461,097
Total noncurrent liabilities	3,139,167	-	3,139,167
Total liabilities	3,442,829	100	3,442,929
NET ASSETS			
INVESTED IN CAPITAL ASSETS, net of related debt	6,509,280	-	6,509,280
RESTRICTED FOR:			
Revenue bond retirement	162,804	-	162,804
Economic development	-	470,000	470,000
UNRESTRICTED	(136,399)	-	(136,399)
Total net assets	$ 6,535,685	$ 470,000	$ 7,005,685

See accompanying notes to the basic financial statements

CITY OF TENNILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PRORIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water and Sewer Fund	Revolving Loan Fund	Total
OPERATING REVENUES:			
Charges for services	$ 630,369	$ -	$ 630,369
Other revenue	2,782	-	2,782
Total operating revenue	633,151	-	633,151
OPERATING EXPENSES:			
Personal services and employee benefits:			
Salaries	171,617	-	171,617
Payroll taxes	12,993	-	12,993
Retirement contribution	7,284	-	7,284
Purchased/contracted services:			
Repairs and replacement	61,241	-	61,241
Water purchases	93,279	-	93,279
Professional fees	6,150	9,000	15,150
Testing	624	-	624
Insurance	21,050	-	21,050
Supplies:			
Chemicals and supplies	13,493	-	13,493
Office supplies	4,456	-	4,456
Utilities and communication	107,642	-	107,642
Depreciation	242,213	-	242,213
Miscellaneous	2,800	-	2,800
Total operating expenses	744,842	9,000	753,842
OPERATING INCOME (LOSS)	(111,691)	(9,000)	(120,691)
NON-OPERATING REVENUES (EXPENSES):			
Federal grant income	135,210	201,286	336,496
Interest income	34	-	34
Interest expense	(131,633)	-	(131,633)
Total non-operating revenues (expenses)	3,611	201,286	204,897
NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(108,080)	192,286	84,206
CAPITAL CONTRIBUTIONS:			
Contribution from CDBG Funds	195,062	-	195,062
Contribution from Capital Projects Funds	50,836	-	50,836
NET INCOME (LOSS) BEFORE TRANSFERS	137,818	192,286	330,104
TRANSFERS FROM (TO) OTHER FUNDS	83,817	-	83,817
NET INCOME (LOSS)	221,635	192,286	413,921
NET ASSETS, beginning of year	6,314,050	277,714	6,591,764
NET ASSETS, end of year	$ 6,535,685	$ 470,000	$ 7,005,685

See accompanying notes to the basic financial statements

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

	Business-Type Activities Enterprise Funds		
	Water and Sewer Fund	Revolving Loan Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 691,281	$ -	$ 691,281
Cash paid to suppliers for goods and services	(370,358)	-	(370,358)
Cash paid to employees	(184,610)	-	(184,610)
Other receipts (payments)	2,782	(201,286)	(198,504)
Net cash provided by (used for) operating activities	139,095	(201,286)	(62,191)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfer from (to) other funds	83,817	-	83,817
Net cash provided by (used for) noncapital financing activities	83,817	-	83,817
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	(167,132)	-	(167,132)
Grant proceeds	135,210	201,286	336,496
Principal paid on capital debt	(139,151)	-	(139,151)
Interest paid on capital debt	(131,633)	-	(131,633)
Net cash provided by (used for) capital and related financing activities	(302,706)	201,286	(101,420)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	34	-	34
Net cash provided by (used for) investing activities	34	-	34
NET INCREASE (DECREASE) IN CASH	(79,760)	-	(79,760)
CASH AND CASH EQUIVALENTS, beginning of year	157,811	100	157,911
CASH AND CASH EQUIVALENTS, end of year	$ 78,051	$ 100	$ 78,151
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Net operating income (loss)	$ (111,691)	$ (9,000)	$ (120,691)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Cash flows reported in other categories:			
Depreciation expense	242,213	-	242,213
Changes in assets and liabilities:			
Accounts receivable	60,912	(192,286)	(131,374)
Due from other funds	(19,480)	-	(19,480)
Accounts payable	(25,612)	-	(25,612)
Accrued interest on long-term debt	(2,394)	-	(2,394)
Meter deposits held	(4,853)	-	(4,853)
Net cash provided by (used for) operating activities	$ 139,095	$ (201,286)	$ (62,191)
NONCASH CAPITAL FINANCING ACTIVITIES:			
Capital purchases of $195,062 were made through contributions from the Community Development Block Grant Fund and capital purchases of $20,883 and note repayments of $29,953 were made through contributions from the Capital Projects Fund			
RECONCILIATION OF TOTAL CASH:			
Current assets - cash	$ 8,971	$ 100	$ 9,071
Restricted assets - cash	69,080	-	69,080
	$ 78,051	$ 100	$ 78,151

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of City of Tennille (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City.

Included as a discretely presented component unit in a separate column in the combined financial statements to emphasize it is legally separate from the City:

> Downtown Development Authority – The Development Authority was activated by a resolution of the City Council of Tennille on April 9, 2007, to promote the development of the downtown area of the City. The City Council appoints all board members and has one representative on the Development Authority board. Complete financial statements may be obtained at 106 Park Street, Tennille, Georgia 31089.

The Housing Authority of the City of Tennille, Georgia is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of members appointed by the City of Tennille, Georgia. The City of Tennille, Georgia 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 of the City of Tennille, Georgia is a related organization.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are

clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including accrued interest on general long-term debt, is recognized when due, and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

> The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The Capital Projects Fund (2009) accounts for capital outlay and other transactions related to the additional one-percent local option sales tax in effect for the period October 1, 2009 to September 30, 2014.

The TSPLOST Special Revenue Fund accounts for capital outlay and other transportation improvements related to the additional one-percent local option sales tax in effect for the period January 1, 2013 to December 31, 2022.

The Community Development Block Grant Fund(2011) accounts for a 2011 grant of $500,000 for water system upgrades.

The Police Narcotic Division Fund accounts for expenditures of funds received from drug related court cases.

The City reports the following major proprietary fund:

The Water and Sewer Fund is used to account for the provision of water and sewer services to businesses and residents of the City. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The Revolving Loan Fund is used to account for the issuance and repayment of loans made to local private businesses according to certain guidelines. Initial funding was from a $500,000 Community Development Block Grant. All grant funds were expended by June 30, 2013 and repayments to the revolving loan fund are scheduled to begin in the year ended June 30, 2014.

The City complies with Governmental Accounting Standards Board ("GASB") Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. This Statement requires the City to apply all applicable GASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, the City has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are incurred for purposes for which amounts in any of the unrestricted fundbalance classifications could be used, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

D. Cash and Investments

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

Investments, if any, are stated at fair market value with unrealized holding gains and losses reported as the "Change in fair market value of investments" in the Statement of Revenues, Expenses and Changes in Retained Earnings.

E. Inventory

Materials purchased in the proprietary fund are expensed as purchased and are not inventoried at year end due to lack of materiality.

F. Restricted Assets

Restricted assets consists of cash in savings accounts required to be maintained pursuant to the bond ordinance on the 1995 water revenue bonds. The reserve account is required to be $162,800 which is equal to the average annual debt service on the revenue bonds. The reserve account balance of $69,080 at June 30, 2013 did not meet the bond requirements as established by the bond covenants.

G. Prepaid Items

Prepaid balances, if any, are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and a reserve for prepaid items is recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

H. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, distribution systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of two years and an original cost of $1,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Prior to October 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets totaling $0 were completed during the year ended June 30, 2013. At June 30, 2013 $0 of construction-in-progress was related to infrastructure assets.

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	30-40 years
Depreciable land improvements	8 - 20 years
Machinery and equipment	5 - 25 years
Infrastructure	40 – 50 years

I. Compensated Absences

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

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charged and amortized over the term of the related debt.

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

K. Equity Classifications

The City has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This new standard changed the overall definitions and classifications of governmental fund balances.

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

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

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

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

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's finance committee to assign fund balances.

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

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

The City does not have a formal minimum fund balance policy; however, the City Council address various target reserve positions which are reviewed periodically.

Net Position

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly chargeable to another fund, are recorded as expenditures/ expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Basis

GAAP is the budgetary basis used in the preparation of these statements.

Budget Requirements, Accounting and Reporting

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to year end the City Clerk submits to the Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Council holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ of the City of Tennille.
3. The budget is then revised and adopted or amended by the Council at a regular meeting early in the year to which it applies.
4. The budget so adopted may be revised during the year only by formal action of the Council in a regular meeting and no increase shall be made therein without provision also being made for financing same.

5. The legal level of budgetary control is the department level within the General Fund. Increases in the total appropriations of a department, whether accomplished through an increase in estimated revenues or through a transfer of appropriations among departments, require the approval of the Mayor and Council.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. The budgets for the General Fund and Special Revenue Fund are adopted on a basis consistent with GAAP.

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

Excesses of Expenditures over Appropriations in Individual Funds

The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended June 30, 2013:

General government	$ 22,961
Public safety	6,068
Street department	54,205
Recreation	400
Public safety - capital outlays	56,296
Debt service - principal	8,678
Debt service - interest	670

These overexpenditures were funded by greater than anticipated revenues and by available fund balance. The Mayor and Council plan in the future to more closely monitor expenditures to determine if budget amendments need to be made or if cost cutting measures need to be formulated.

3. DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2013, none of the City's $101,155 was exposed to custodial credit risk.

Investments - There were no investments at June 30, 2013.

4. PROPERTY TAXES

The value of all real and business personal property located in the City is assessed (appraised) as of each January 1. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Appraised values are established by the Washington County Tax Assessors at 40% of estimated fair market value. Taxes were levied when the milleage rate was set on or about August 15. Taxes were billed on or about September 20, 2012 and were due December 10, 2012 after which date penalties and interest were assessed. Property on which taxes are not paid within 60 days of mailing may then be levied on by the City. Current tax collections for the years ended June 30, 2013, were 98.5% of the tax levy.

Property taxes are recorded as receivables and deferred at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible within sixty days following the close of the fiscal year, and therefore susceptible to accrual in accordance with GAAP, have been recognized as revenue.

5. ACCOUNTS RECEIVABLE

At June 30, 2013, accounts receivable consisted of the following:

	Governmental Activities	Business-type Activities	Total
General Fund:			
Property tax	$ 4,646	$ -	$ 4,646
Local option sales tax	39,395	-	39,395
User fees receivable	7,776	-	7,776
Garbage fees receivable	23,573	-	23,573
Miscellaneous	2,207	-	2,207
Transportation Fund:			
Special local option sales tax	2,694	-	2,694
Capital Projects Fund (2009):			
Special local option sales tax	8,902	-	8,902
Water and Sewer Fund:			
Water and sewer fees	-	89,676	89,676
Grants receivable	-	-	-
	89,193	89,676	178,869
Allowance for doubtful accounts	-	(3,682)	(3,682)
	$ 89,193	$ 85,994	$ 175,187

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	$ 65,250	$ -	$ -	$ 65,250
Construction-in-progress	-	18,859	-	18,859
Subtotal	65,250	18,859	-	84,109
Depreciable capital assets:				
Buildings	663,140	-	-	663,140
Equipment	1,236,911	84,261	(103,612)	1,217,560
Infrastructure	380,282	-	-	380,282
Subtotal	2,345,583	103,120	(103,612)	2,345,091
Accumulated depreciation:				
Buildings	171,639	18,684	-	190,323
Equipment	804,203	106,390	(74,233)	836,360
Infrastructure	65,283	7,606	-	72,889
Subtotal	1,041,125	132,680	(74,233)	1,099,572
Net capital assets	$1,304,458	$ (29,560)	$ (29,379)	$1,245,519

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Not being depreciated:				
Land	$ 2,320	$ -	$ -	$ 2,320
Construction-in-progress	5,210,499	235,823	(5,205,301)	241,021
Subtotal	5,212,819	235,823	(5,205,301)	243,341
Depreciable capital assets:				
Equipment	39,148	114,615	-	153,763
Infrastructure	6,911,958	5,237,940	-	12,149,898
Subtotal	12,163,925	5,588,378	(5,205,301)	12,547,002
Accumulated depreciation:				
Equipment	23,425	9,191	-	32,616
Infrastructure	2,466,895	233,022	-	2,699,917
Subtotal	2,490,320	242,213	-	2,732,533
Net capital assets	$9,673,605	$5,346,165	$(5,205,301)	$9,814,469

Depreciation was charged to functions as follows:

Governmental activities:	
General government	$ 17,039
Public safety	94,455
Street department	20,016
Recreation	1,170
Library	-
	$ 132,680

7. LONG-TERM DEBT

Following is a summary of changes in long-term debt for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amount Due in One Year
Governmental type activities:					
Compensated absences	$ 13,905	$ -	$ -	$ 13,905	$ 13,905
Notes payable	89,579	47,643	(40,779)	96,443	45,539
	$ 103,484	$ 47,643	$ (40,779)	$ 110,348	$ 59,444
Business-type activities:					
Notes payable	$ 707,108	$ -	$ (125,484)	$ 581,624	$ 120,527
Water revenue bonds	2,767,185	-	(43,620)	2,723,565	45,495
	$ 3,474,293	$ -	$ (169,104)	$ 3,305,189	$ 166,022

For the governmental activities, compensated absences are generally liquidated by the General Fund.

Outstanding Debt:

At June 30, 2013, long-term debt consisted of the following:

	Governmental Activities	Water Enterprise Fund Debt
$738,900 of 4.5% water and sewer bonds series payable for system improvements to USDA, due in monthly principal and interest payments of $3,326 to May 2035	$ -	$ 554,842
$529,900 of 4.5% water and sewer bonds series payable for system improvements to USDA, due in monthly principal and interest payments of $2,385 to May 2035	-	397,979
$1,810,000 of 4.25% water and sewer bonds series payable for wastewater improvements to USDA, due in monthly principal and interest payments of $7,856 to April 2051	-	1,770,744
$14,670 loan to the USDA for the purchase of a police vehicle, interest at 4.0%, due in yearly principal and interest payments of $3,296 to May 2015	6,213	-
$80,436 loan to Queensborough National Bank & Trust for the purchase of vehicles, interest at 4.0%, due in yearly principal and interest payments of $29,019 to June 2014	54,688	-
$23,811 loan to Ally Financial for the purchase of a police vehicle, interest at 7.34%, due in monthly principal and interest payments of $741 to August 2015	17,763	-
$23,831 loan to Ally Financial for the purchase of a police vehicle, interest at 7.34%, due in monthly principal and interest payments of $742 to August 2015	17,779	-
$100,000 loan from Georgia Environmental Facilities Authority for water system improvements, interest at 3.0%, due in monthly principal and interest payments of $966 to September 2020	-	75,410
$90,000 loan from Georgia Environmental Facilities Authority for water system improvements, interest at 3.0%, due in monthly principal and interest payments of $1,617 to September 2015	-	42,168
$750,000 loan from Georgia Environmental Facilities Authority for water system improvements, interest at 2.0%, due in monthly principal and interest payments of $6,952 to February 2019	-	446,549
$299,760 loan from Georgia Environmental Facilities Authority for water system improvements, interest at 3.5%, due in quarterly principal and interest payments of $6,477 to April 2014	-	17,497
Total long-term debt	$ 96,443	$3,305,189

Annual Requirements to Retire Debt Obligations:

The annual maturities for the years subsequent to June 30, 2013 are as follows:

Governmental-Type Activities:

Year Ending June 30	Notes Payable	
	Principal	Interest
2014	$ 45,539	$ 4,570
2015	48,003	2,162
2016	2,901	27
	$ 96,443	$ 6,759

Business-Type Activities:

Year Ending June 30	Notes Payable		Water Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	$ 120,527	$ 11,643	$ 45,495	$ 117,309
2015	105,395	9,028	47,534	115,269
2016	93,110	6,753	49,667	113,138
2017	90,171	4,844	51,894	110,910
2018	92,098	2,918	54,221	108,583
2019 - 2023	80,323	1,306	309,826	504,194
2024 - 2028	-	-	385,822	428,199
2029 - 2033	-	-	480,477	333,543
2034 - 2038	-	-	369,059	230,934
2039 - 2043	-	-	304,042	167,318
2044 - 2048	-	-	375,890	95,470
2049 - 2051	-	-	249,638	15,916
	$ 581,624	$ 36,492	$ 2,723,565	$ 2,340,783

8. FUND DEFICITS

At June 30, 2013, the General Fund had a deficit fund balance of $15,246. The City anticipates that future revenues will be sufficient to alleviate this deficit balance.

9. INTERFUND TRANSACTIONS AND BALANCES

Balances Due to/from other funds:

Balances due to/from other funds at June 30, 2013, consist of the following -

Receivable Fund	Payable Fund	Amount
General Fund	Revolving Loan Fund	$ 100
		$ 100

The balance due to the General Fund from the Revolving Loan Fund was used to open the bank account. The Revolving Loan Fund will repay this amount when the Fund begins receiving loan repayments.

Interfund transfers:

	Transfer In:		
Transfer Out:	Water & Sewer Fund	General Fund	Total
General Fund	$ 83,817	$ -	$ 83,817
Transportation Special Revenue Fund	-	25,111	25,111
	$ 83,817	$ 25,111	$108,928

Transfers are used to move unrestricted revenue to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

10. COMMITMENTS AND CONTINGENCIES

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

Litigation

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially effect the City's financial position.

11. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City has a non-contributory plan covering all full time employees and elected officials. The plan is administered by the Georgia Municipal Employees Benefit System (GMEBS), a -statewide agent multiple-employer type plan. GMEBS handles all administrative and investment functions relative to the plan. The plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year while elected officials have no waiting period. Employees become vested after ten years of service while elected officials vest after five years of service. Members may retire on reaching the age of 55 or 65, depending on years of service. For employees, benefits are calculated at 1.5% of the average monthly earnings for the period of the five highest years prior to retirement. Elected officials' benefits cannot exceed 100% of the monthly salary the official was receiving immediately prior to retirement. The benefit provisions and contribution requirements are established by GMEBS and the Adoption Agreement executed by the City.

As of January 1, 2013, the date of the latest actuarial valuation study, employee membership data related to the current plan membership was as follows:

Retirees and beneficiaries currently receiving benefits	9
Terminated employees entitled to benefits but not yet receiving them	6
Current active employees and elected officials:	
Vested	7
Nonvested	19
Total membership in the plan	41

B. Summary of Significant Accounting Policies

Financial statements of the plan are prepared on the accrual basis of accounting. Contributions from the City are recognized as revenue as billed by GMEBS. Investment income is recognized as earned by the plan.

The net appreciation (depreciation) in the fair value of investments held by the pension plan is recorded as the valuation of investments at the end of each month during the period.

There are no investments in, loans to, or leases with parties related to the pension plan.

C. Funding Status and Progress

The amount shown as the "Actuarial Value of Plan Assets" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date.

This measure is the actuarial present value of credited projected benefits and is intended to: (1) help users assess the retirement plans funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due and (3) allow for comparisons among public employee retirement plans. The actuarial value of plan assets was determined as part of an actuarial valuation of the plan as of January 1, 2013. Significant actuarial assumptions used in determining the actuarial value of plan assets include: (a) a rate of return on the investment of present and future assets of 7.75% per year, (b) projected salary increases of 0.5 – 2.5% per year, attributable to inflation rate of 3.5%, (c) additional to determine the actuarial value of assets is to roll forward the prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains (losses) during the ten prior years. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981, 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 methods as a level dollar amount. These amortization periods, if applicable, are open for this plan year.

As of January 1, 2013, the actuarial accrued liability and actuarial value of plan assets are as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$465,169
Current employees:	
Accumulated employee contributions including allocated investment income	-
Employer-provided vested	87,080
Employer-provided non-vested	43,041
Total actuarial accrued liability	595,290
Actuarial value of plan assets	682,573
Unfunded actuarial accrued liability (funding excess)	$ (87,283)

The weighted average rate of return used in determining the actuarial present value of accumulated plan benefits was 7.75%.

D. Contributions Required and Contributions Made

As a participant in the GMEBS, the City receives a separate annual actuarial valuation as of January 1. The City is required to pay the required annual actuarial contribution to GMEBS on a monthly basis. The actuarial funding method is the same method used in computing the actuarial accrued liability. Total pension costs were $30,348 for the year ended June 30, 2013, which includes amortization of past service costs over 30 years. This contribution amounted to 4.3% of the total covered payroll. The contributions are determined under the projected unit credit actuarial cost method. The City's total payroll was $830,759 and the covered payroll was $697,747. There were no changes in plan provisions valued, cost methods, actuarial assumptions, or benefits during the year.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the actuarial accrued liability (funding excess) as described in C. above.

E. Historical Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. The required ten-year trend information is not presented in the GMEBS annual financial report.

The required three-year historical information is as follows:

	2013	2012	2010
Actuarial value of plan assets as a percentage of actuarial accrued liability	114.7%	123.7%	102.4%
Unfunded (Funded) actuarial accrued liability as a percentage of annual covered payroll	(12.5%)	(25.5%)	(3.7%)
Employer contributions as a percentage of annual covered payroll	4.3%	4.5%	4.5%
Annual pension cost	$30,348	$22,572	$20,715
Percentage of annual pension cost contributed	100%	100%	100%
Net actuarial liability	$ -	$ -	$ -

Required Supplementary Information
Analysis of Funding Progress

Fiscal Year	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Per-centage Funded (1)/(2)	Unfunded Actuarial Accrued Liability (AL) (2) - (1)	Annual Covered Payroll (prior year)	Unfunded AL as Percentage of Covered Payroll
2004	$644,793	$583,561	110.5%	$ (61,232)	$355,202	(17.2%)
2005	697,672	643,050	108.5%	(54,622)	383,239	(14.3%)
2006	740,830	673,244	110.0%	(67,586)	331,920	(20.4%)
2007	761,373	616,248	123.6%	(145,125)	311,475	(46.6%)
2008	760,784	675,160	112.7%	(85,624)	444,260	(19.8%)
2009	652,898	643,925	101.4%	(8,973)	231,388	(3.9%)
2010	733,027	681,842	107.5%	(51,185)	343,373	(14.9%)
2011	719,184	702,215	102.4%	(16,969)	460,493	(3.7%)
2012	668,824	540,537	123.7%	(128,287)	503,046	(25.5%)
2013	682,573	595,290	114.7%	(87,283)	697,747	(12.5%)

Analysis of the dollar amounts of actuarial value of plan assets, actuarial accrued liability and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of plan assets as a percentage of the actuarial accrued liability provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

To obtain a copy of the financial report for the GMEBS pension plan, write to the following address:

Georgia Municipal Employees Benefit System
201 Pryor Street, SW
Atlanta, GA 30303

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors of omissions, job related illnesses or injuries to employees; natural disaster; and unemployment compensation.

There were no significant reductions of insurance coverage in the prior year. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the City. Settled claims have not exceeded the commercial excess coverage in any of the past three fiscal years.

Risk Pool

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMAWCSIF) and Georgia Interlocal Risk Management Agency (GIRMA), risk management agencies created under Georgia law. As a participant in the GMAWCSIF and GIRMA, the City has no legal obligation to pay its own workers' compensation claims or general liability claims. The City is required to make an annual contribution to the funds 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 and general liability claims. However, the enabling statute creating the GMAWCSIF and GIRMA permits the funds to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. Since excess insurance is purchased by the GMASCSIF and GIRMA to protect the funds from catastrophic losses, no amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

Self Insurance

The City is self-insured with regard to unemployment compensation claims. The City accounts for claims with expenditures and liabilities being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. The City has not experienced any claims related to unemployment compensation in the past three years.

13. JOINT VENTURE

Under Georgia law, the City in conjunction with other cities and counties in the fourteen City east central Georgia area, is a member of the Central Savannah River Area Regional Commission and is required to pay annual dues thereto. During its year ended June 30, 2013, the City paid $1,505 in such dues. Membership in a Regional Commission is required by the OCGA Section 50-8-34 which provides for the organizational structure of the Regional Commission in Georgia. The Regional Commission Board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a Regional Commission. Separate financial statements may be obtained from:

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 30, 2013, the date the financial statements were available to be issued. Subsequent to June 30, 2013, the City borrowed $100,000 from a line of credit at Queensborough National Bank for operating purposes

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules – General Fund, TSPLOST Special Revenue Fund, Community Development Block Grant (2011) Fund and the Police Narcotics Division Fund

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes:				
Ad valorem	$ 235,000	$ 235,000	$ 221,410	$ (13,590)
Vehicle	22,500	22,500	23,344	844
Franchise tax	109,000	109,000	105,493	(3,507)
Alcoholic beverage excise	45,000	45,000	40,566	(4,434)
Local option sales tax	250,000	250,000	232,513	(17,487)
Insurance company premium	76,500	76,500	76,673	173
Intangible	2,000	2,000	3,244	1,244
Other	9,800	9,800	8,349	(1,451)
	749,800	749,800	711,592	(38,208)
Licenses and Permits:				
Business licenses and permits	25,500	25,500	25,918	418
Alcoholic beverage licenses	7,500	7,500	8,325	825
	33,000	33,000	34,243	1,243
Intergovernmental:				
County reimbursement - public safety	24,000	24,000	24,803	803
State grants	-	-	5,995	5,995
Federal grants	30,000	30,000	40,898	10,898
	54,000	54,000	71,696	17,696
Charges for services:				
Garbage fees	135,000	135,000	134,298	(702)
User fees	42,000	42,000	42,890	890
Court fines	100,000	100,000	90,320	(9,680)
	277,000	277,000	267,508	(9,492)
Miscellaneous:				
Rent	18,800	18,800	18,219	(581)
Sale of equipment and supplies	12,000	12,000	22,349	10,349
Other	10,000	10,000	14,755	4,755
	40,800	40,800	55,323	14,523
Total revenues	1,154,600	1,154,600	1,140,362	(14,238)

CITY OF TENNILLE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES:				
Current Operating:				
General government	$ 153,150	$ 153,150	$ 176,111	$ (22,961)
Public safety	654,600	654,600	660,668	(6,068)
Street department	344,100	344,100	398,305	(54,205)
Recreation	2,000	2,000	2,400	(400)
Library	750	750	750	-
Total operating expenditures	1,154,600	1,154,600	1,238,234	(83,634)
Capital Outlays:				
General government	-	-	-	-
Public safety	-	-	56,296	(56,296)
Street department	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Total capital expenditures	-	-	56,296	(56,296)
Debt Service:				
Principal	-	-	8,678	(8,678)
Interest	-	-	670	(670)
Total debt service	-	-	9,348	(9,348)
Total expenditures	1,154,600	1,154,600	1,303,878	(149,278)
Excess (deficiency) of revenues over expenditures	-	-	(163,516)	(163,516)
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	47,643	47,643
Transfers in (out)	-	-	(58,706)	(58,706)
	-	-	(11,063)	(11,063)
Excess (deficiency) of revenues over expenditures and other financing sources	-	-	(174,579)	(174,579)
FUND BALANCE, beginning of year	159,333	159,333	159,333	-
FUND BALANCE, end of year	$ 159,333	$ 159,333	$ (15,246)	$ (174,579)

CITY OF TENNILLE, GEORGIA
TSPLOST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	$ 15,000	$ 15,000	$ 15,982	$ 982
Intergovernmental	15,000	15,000	15,111	111
	30,000	30,000	31,093	1,093
EXPENDITURES:				
Current operating:				
Street department	5,000	5,000	-	5,000
Capital outlays	5,000	5,000	-	5,000
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	10,000	10,000	-	10,000
Excess revenues over (under) expenditures	20,000	20,000	31,093	11,093
OTHER FINANCING SOURCES (USES)				
Transfers to general fund	(20,000)	(20,000)	(25,111)	(5,111)
Excess revenues and other financing sources (uses) over (under) expenditures	-	-	5,982	5,982
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	$ -	$ -	$ 5,982	$ 5,982

CITY OF TENNILLE, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT (2011) SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenue	$ 193,162	$ 193,162	$ 193,162	$ -
Other	-	-	-	-
	193,162	193,162	193,162	-
EXPENDITURES:				
Current operating:				
Miscellaneous	-	-	-	-
Water system improvements	195,062	195,062	195,062	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	195,062	195,062	195,062	-
Excess revenues over (under) expenditures	(1,900)	(1,900)	(1,900)	-
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Excess revenues and other financing sources (uses) over (under) expenditures	(1,900)	(1,900)	(1,900)	-
FUND BALANCE, beginning of year	5,100	5,100	5,100	-
FUND BALANCE, end of year	$ 3,200	$ 3,200	$ 3,200	$ -

CITY OF TENNILLE, GEORGIA
POLICE NARCOTIC DIVISION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Fines and forfeits	$ 10,000	$ 10,000	$ 12,988	$ 2,988
Other	5,000	5,000	-	(5,000)
	15,000	15,000	12,988	(2,012)
EXPENDITURES:				
Current operating:				
Public safety	13,000	13,000	12,509	491
Capital outlays	2,000	2,000	-	2,000
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	15,000	15,000	12,509	2,491
Excess revenues over (under) expenditures	-	-	479	479
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Excess revenues and other financing sources (uses) over (under) expenditures	-	-	479	479
FUND BALANCE, beginning of year	7,354	7,354	7,354	-
FUND BALANCE, end of year	$ 7,354	$ 7,354	$ 7,833	$ 479

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor are a part of the basic financial statements, but are presented for purposes of additional analysis. Such information includes:

- General Fund Statement of Expenditures (Final Budget to Actual) Detailed by Department
- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133
- Schedule of Findings and Questioned Costs
- Schedule of Projects Constructed with Special Sales Tax Proceeds
- Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

CITY OF TENNILLE, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
OPERATING EXPENDITURES:				
General Government:				
Personal services and employee benefits:				
Salaries	$ 83,800	$ 83,800	$ 94,202	$ (10,402)
Payroll taxes	6,400	6,400	6,423	(23)
Retirement contributions	2,500	2,500	2,428	72
Purchased/contracted services:				
Accounting and legal	10,800	10,800	13,734	(2,934)
Insurance	5,000	5,000	6,817	(1,817)
Utilities and communication	8,500	8,500	9,973	(1,473)
Repairs and maintenance	4,500	4,500	6,224	(1,724)
Dues	7,500	7,500	9,258	(1,758)
Advertising	500	500	570	(70)
Supplies:				
Office supplies	4,200	4,200	4,231	(31)
Other costs:				
Travel and training	3,500	3,500	3,880	(380)
Election	-	-	-	-
County airport appropriation	450	450	420	30
Economic development	12,000	12,000	14,308	(2,308)
Miscellaneous	3,500	3,500	3,643	(143)
Total General Government	$ 153,150	$ 153,150	$ 176,111	$ (22,961)
Public safety:				
Police:				
Personal services and employee benefits:				
Salaries	$ 394,500	$ 394,500	$ 404,249	$ (9,749)
Payroll taxes	32,500	32,500	31,475	1,025
Retirement contributions	15,800	15,800	15,780	20
Purchased/contracted services:				
Insurance	24,000	24,000	23,513	487
Uniforms	5,000	5,000	2,922	2,078
Vehicle costs	45,000	45,000	46,997	(1,997)
Animal control	10,000	10,000	10,092	(92)
Repairs and maintenance	5,500	5,500	6,419	(919)
Utilities and communication	14,500	14,500	16,739	(2,239)
Supplies	12,500	12,500	15,260	(2,760)
Other costs:				
Peace officers' retirement and other fees	21,400	21,400	24,212	(2,812)
Miscellaneous	5,200	5,200	8,391	(3,191)
Total police	585,900	585,900	606,049	(20,149)

CITY OF TENNILLE, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
EMA/Dispatch	27,600	27,600	27,600	-
Court Salary	18,500	18,500	6,274	12,226
Fire:				
Personal services and employee benefits:				
Salaries	$ 10,100	$ 10,100	$ 10,475	$ (375)
Payroll taxes	200	200	161	39
Supplies	500	500	715	(215)
Purchased/contracted services:				
Utilities	6,500	6,500	5,751	749
Vehicle costs	2,000	2,000	1,351	649
Other costs:				
Miscellaneous	3,300	3,300	2,292	1,008
Total Fire	22,600	22,600	20,745	1,855
Total Public Safety	$ 654,600	$ 654,600	$ 660,668	$ (6,068)
Streets and Sanitation:				
Personal services and employee benefits:				
Salaries	$ 140,500	$ 140,500	$ 154,954	$ (14,454)
Payroll taxes	11,700	11,700	11,939	(239)
Retirement	4,900	4,900	4,856	44
Purchased/contracted services:				
Insurance	12,500	12,500	12,357	143
Utilities and communication	59,500	59,500	78,367	(18,867)
Repairs and maintenance	12,500	12,500	21,011	(8,511)
Garbage contract	77,500	77,500	85,040	(7,540)
County landfill fees	8,000	8,000	9,222	(1,222)
Paving and street repairs	-	-	-	-
Materials and supplies	7,000	7,000	8,583	(1,583)
Other costs	10,000	10,000	11,976	(1,976)
Total Street Department	$ 344,100	$ 344,100	$ 398,305	$ (54,205)
Recreation:				
County recreation board	$ 2,000	$ 2,000	$ 2,400	$ (400)
Other costs	-	-	-	-
Total Recreation	$ 2,000	$ 2,000	$ 2,400	$ (400)
Library:				
Library contributions	$ 750	$ 750	$ 750	$ -

CITY OF TENNILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development (HUD)			
Pass through from the Georgia Department of Community Affairs Community Development Block Grant - Water and Sewer Improvements	14.228	11p-x-150-2-5370	$ 195,062
Pass through from the Georgia Department of Community Affairs Community Development Block Grant - Employment Incentive Program	14.228	10q-x-150-2-5330	201,286
Total HUD			396,348
U.S. Department of Transportation (DOT)			
Pass through from the Governor's Office of Highway Safety - Traffic Enforcement Network	20.600	TEN-2013-607-00370	12,355
Total pass through from GA DOT			12,355
U.S. Department of Agriculture (USDA)			
Water and Waste Disposal Systems for Rural Communities	10.760		135,210
Total USDA			135,210
U.S. Department of Justice			
Public Safety Partnership and Community Policing Grant (COPS)	16.710		28,543
Total Expenditures of Federal Awards			$ 572,456

CITY OF TENNILLE, GEORGIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Tennille, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

WRIGHT & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
130 NORTH HARRIS STREET • POST OFFICE BOX 1014
SANDERSVILLE, GEORGIA 31082
email: wwpc@wrightandwrightpc.com

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

TELEPHONE (478) 552-6146
FACSIMILE (478) 552-6158

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

To the Mayor and Council
City of Tennille, Georgia

Compliance

We have audited the City of Tennille, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are could have a direct and material effect on each of the City of Tennille, Georgia's major federal programs for the year ended June 30, 2013. The City of Tennille, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Tennille, Georgia's management. Our responsibility is to express an opinion on the City of Tennille, Georgia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Tennille, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Tennille, Georgia's compliance with those requirements.

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

MEMBERS OF THE AMERICAN INSTITUTE OF CPAs AND THE GEORGIA SOCIETY OF CPAs

Internal Control Over Compliance

Management of the City of Tennille, Georgia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Tennille, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Tennille, Georgia's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wright & Wright, P.C.

December 30, 2013

CITY OF TENNILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Tennille, Georgia.
2. Listed below are the significant deficiencies relating to the audit of the financial statements as reported in the City of Tennille, Georgia report. No material weaknesses were identified.
3. Listed below are the instances of noncompliance material to the financial statements of the City of Tennille, Georgia that were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the City of Tennille, Georgia report.
5. The auditors' report on compliance for the major federal award programs for the City of Tennille, Georgia expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the City of Tennille, Georgia.
7. The programs tested as major programs include the HUD Community Development Block Grants, the USDA Water and Waste Loan Program and Grant Program.
8. The threshold for distinguishing Types A and B programs was $300,000.
9. The City of Tennille, Georgia did qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

13-1 Controls Over Financial Statement Presentation

Condition

City personnel do not currently possess the professional skills necessary to prepare or review the year end financial statements in sufficient detail to detect material misstatements in the financial statements and related footnotes.

Effect

The deficiency identified above could result in a material misstatement to the City's financial statements that would not be prevented or detected on a timely basis.

Recommendation

The City should consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.

Views of Responsible Officials

We concur. We will evaluate the cost effectiveness of implementing the control and act accordingly.

FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

13-2 Budgetary

Condition

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

Effect

Fiscal control and accountability over departmental expenditures may be jeopardized.

Recommendation

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

Views of Responsible Officials

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

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported

CITY OF TENNILLE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL SALES TAX PROCEEDS
For the Year Ended June 30, 2013

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
2009 Tax:						
Economic development						
Contributions to the Chamber of Commerce	$ 25,000	$ 25,000	$ 5,375	$ 4,875	$ 10,250	41.00%
Transportation improvements	-	100,000	3,595	-	3,595	3.60%
Capital outlays:						
Train depot renovation project	20,000	75,000	30,860	18,859	49,719	66.29%
General government equipment	150,000	100,000	2,018	-	2,018	2.02%
Public safety equipment	250,000	250,000	94,741	56,926	151,667	60.67%
Water Fund equipment	-	250,000	183,373	50,837	234,210	93.68%
Street department equipment	-	50,000	6,072	994	7,066	14.13%

WRIGHT & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
130 NORTH HARRIS STREET • POST OFFICE BOX 1014
SANDERSVILLE, GEORGIA 31082
email: wwpc@wrightandwrightpc.com

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

TELEPHONE (478) 552-6146
FACSIMILE (478) 552-6158

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 Tennille, Georgia

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

Internal Control Over Financial Reporting

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

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

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

certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting noted as item 13-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tennille Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 13-2.

City of Tennille, Georgia's Response to Findings

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

Purpose of this Report

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

Wright & Wright, P. C.

December 30, 2013

CITY OF TENNILLE
P.O. Box 145
Tennille, GA 31089
(478) 552-7875 Fax (478) 552-3470

Georgia Department of Audits & Accounts
Attn: Mr. Edward Blaha, Director
270 Washington Street, S.W.
Suite 1-156
Atlanta, Georgia 30334-8400

Gentlemen:

The following constitutes our corrective action plan regarding the findings and recommendations in our audit report for the year ended June 30, 2013.

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

1. City personnel do not currently possess the professional skills necessary to prepare or review the year end financial statements and related footnotes. The City will consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.
2. The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended June 30, 2013:

General government	$ 22,961
Public safety	6,068
Street department	54,205
Recreations	400
Public safety – capital outlays	56,296
Debt service – principal	8,678
Debt service – interest	670

These overexpenditures were funded by greater than anticipated revenues and by available fund balance. The Mayor and Council plan in the future to more closely monitor expenditures to determine if budget amendments need to be made or if cost cutting measures need to be formulated.

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

Sincerely,

John Wilbanks
Mayor, City of Tennille