CITY OF UNION POINT, GEORGIA

AUDIT REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

CITY OF UNION POINT, GEORGIA

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the
City of Union Point, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Union Point, Georgia (the "City") as of and for the fiscal year ended September 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

1503 Bass Road
P.O. Box 6315 Macon, Georgia 31208-6315
Phone 478-742-3313 ■ Fax 478-742-0316

Member of
American Institute of
Certified Public Accountants
www.clhp.com

468 South Houston Lake Road
Warner Robins, Georgia 31088
Phone 478-953-0125 ■ Fax 478-953-0983

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Union Point, Georgia, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison for the General Fund thereof and for the fiscal 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 information on pages 4 through 13 and the Retirement Plan – Schedule of Funding Progress on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers them 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Union Point, Georgia's basic financial statements. The combining nonmajor fund financial statements and the schedule of project expenditures with special sales tax proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of project expenditures with special sales tax proceeds has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014 on our consideration of City of Union Point'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 City of Union Point, Georgia's internal control over financial reporting and compliance.

Macon, Georgia
March 31, 2014

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the City of Union Point, Georgia we present management's analysis of the City's financial condition and activities for the fiscal year ended September 30, 2013. This information should be read and considered in conjunction with the financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of fiscal year 2013 by $6,641,676 (total net position).
- Of this amount, $669,851 (unrestricted net position) was available for use to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net position increased by $305,398.
- At the close of fiscal year 2013, the City's governmental funds reported combined ending fund balances of $702,871. Of this amount, $469,997 or 66.87% is available for spending at the government's discretion (Unassigned fund balance).

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the City of Union Point's basic financial statements. The City's basic financial statements include the government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A should be read and considered with the basic audited financial statements and supplementary information.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with an overview of the City's finances in a manner similar to commercial enterprises.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two being 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 is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected property taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general

government, judicial, public safety, public works, culture and recreation, and housing and development. The business-type activities of the City include water and sewer and natural gas.

The component unit, the Downtown Development Authority of the City of Union Point, Georgia, is reported in a separate column because it is legally separate from the City. The Authority's governing board is appointed by the Mayor and Council, and the City funds a significant portion of the Authority's budget.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into governmental funds and proprietary funds.

Governmental Funds. Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual governmental funds. Information on the major funds are presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. The major funds are the General Fund and the CDBG Fund, and the non-major funds are the Public Safety SPLOST Fund and LMIG Fund.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement for this fund has been provided to demonstrate compliance with this budget. Project length budgets were adopted for the Capital Project Funds.

Proprietary Funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer system operations and its natural gas system operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the Water and Sewer Fund and the Natural Gas Fund. These funds are considered to be major funds of the City.

Notes to the Financial Statements. The notes provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes provide information about the City's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the City's obligation in funding pension benefits to its employees.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The assets exceeded the liabilities at the close of fiscal year 2013 by $6,641,676.

The largest component of net position, which may be used to meet the City's ongoing obligations to its citizens and creditors, is unrestricted net position in the amount of $669,851 or 10.09% of total net position. Of the unrestricted net position, $1,789,964 or 26.95 % of total net position is in joint venture (Tri-County Natural Gas). Another component of the City's net position is investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that are still outstanding, which comprises $4,873,879 or 73.38% of total net position. The City uses these capital assets to provide services to its citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Union Point Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2012	2013	2012	2013	2012	2013
Assets						
Current assets	$ 772,648	$ 792,298	$ 471,134	$ 473,317	$1,243,782	$1,265,615
Restricted assets	-	-	181,307	1,097,862	181,307	1,097,862
Other assets	-	-	1,034,984	1,789,964	1,034,984	1,789,964
Capital assets	1,459,799	1,390,992	4,134,292	4,482,131	5,594,091	5,873,123
Total assets	2,232,447	2,183,290	5,821,717	7,843,274	8,054,164	10,026,564
Liabilities						
Current liabilities	71,207	83,890	168,653	310,871	239,860	394,761
Long-term liabilities	11,930	10,940	1,466,096	2,979,187	1,478,026	2,990,127
Total liabilities	83,137	94,830	1,634,749	3,290,058	1,717,886	3,384,888
Net position						
Net investment in capital assets	1,459,799	1,390,992	2,685,172	3,482,887	4,144,971	4,873,879
Restricted for:						
Renewal and replacement	-	-	124,000	124,000	124,000	124,000
Capital outlay	84	84	-	970,711	84	970,795
Debt services	-	-	57,307	3,151	57,307	3,151
Unrestricted	689,427	697,384	1,320,489	(27,533)	2,009,916	669,851
Total net position	$2,149,310	$2,088,460	$4,186,968	$4,553,216	$6,336,278	$6,641,676

An additional portion of the City's net positon, $124,000 (1.87%), $3,151 (.05%), and $970,795 (14.62%) represent resources that are subject to external restrictions on how they may be used. The $124,000 represents water and sewer reserve accounts set aside as emergency funds for one year's obligation for the City's outstanding water and sewer revenue bonds. The $3,151 represents funds set aside in the water and sinking funds for the payment of the current debt due on the outstanding water and sewer revenue bonds. The $970,795 represents funds set aside for capital outlay.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as whole, as well as for its separate governmental and business-type activities.

Governmental Activities. Governmental activities decreased the City's net position by $60,850 or 19.92% of the total increase in the net position of the City.

City of Union Point Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program Revenues						
Charges for service	$ 56,208	$ 36,489	$ 936,149	$ 1,006,118	$ 992,357	$ 1,042,607
Operating grants and contributions	54,894	57,245	20,000	-	74,894	57,245
Capital grants and contributions	5,673	466,011	-	488,650	5,673	954,661
General revenues						
Property taxes	217,592	209,158	-	-	217,592	209,158
Sales tax	424,708	343,822	-	-	424,708	343,822
Other taxes	156,733	155,312	-	-	156,733	155,312
Investment earnings	1,188	978	1,414	756,205	2,602	757,183
Miscellaneous	17,322	54,878	11,696	85,926	29,018	140,804
Proceeds from sale of assets	10,149	-	-	-	10,149	-
Transfers	(58,000)	-	58,000	-	-	-
Total revenue	886,467	1,323,893	1,027,259	2,336,899	1,913,726	3,660,792
Expenses:						
General government	149,421	139,752	-	-	149,421	139,752
Judicial	37,281	34,961	-	-	37,281	34,961
Public safety	510,191	458,517	-	-	510,191	458,517
Public works	210,765	657,761	-	-	210,765	657,761
Culture and recreation	59,981	77,868	-	-	59,981	77,868
Housig and development	61,175	15,884	-	-	61,175	15,884
Water and sewer	-	-	1,019,096	832,915	1,019,096	832,915
Natural gas	-	-	305,552	1,137,736	305,552	1,137,736
Total expenses	1,028,814	1,384,743	1,324,648	1,970,651	2,353,462	3,355,394
Changes in net position	(142,347)	(60,850)	(297,389)	366,248	(439,736)	305,398
Net position - beginning	2,291,657	2,149,310	4,484,357	4,186,968	6,776,014	6,336,278
Net position - ending	$ 2,149,310	$ 2,088,460	$ 4,186,968	$ 4,553,216	$ 6,336,278	$ 6,641,676

Revenues. Property taxes of $209,158 and sales tax of $343,822 accounted for 41.77% of total governmental revenues.

Operating grants and contributions consisted of the following:

- Public safety received operating grants and contributions from the Greene County Board of Commissioners totaling $24,000 for the purpose of providing fire protection to a designated service area in Greene.

- Housing and development received operating grants and contributions totaling $245. Under an intergovernmental agreement with the City of Greensboro and Greene County, the City receives one third of the City of Greensboro's property taxes and Greene

County's property taxes for the property in the Greene County Industrial Park. Greene County, the City of Greensboro, and the City of Union Point own the Greene County Industrial Park in equal shares and have an intergovernmental agreement to share equally in the tax proceeds from the Industrial Park.

Capital grants and contributions consisted of the following:

- Public works capital grants received $466,011 from the Community Development Block Grant.

Expenses. The total expense for the governmental activities is $1,384,743. The largest single expenditure activity is public works. Public works includes water distribution capital outlay, yard trimming and collection, highways and streets, and cemetery. The total public works expense is $657,761 or 47.50% of total governmental activity expense.

Expenses exceeded total program revenues and general revenues by $60,850.

Business-type Activities. Business-type activities increased the City's net position by $366,248.

Revenues. Water and sewer revenue was $798,001 before contributions. Natural gas revenue was $1,050,248. Water and sewer revenue is derived from the sale of water and sewer services to the citizens of the City. Natural gas revenue is derived from the sale of natural gas to the citizens of the City.

During the prior fiscal year, the Natural Gas System received a distribution from the Tri-County Natural Gas System in the amount of $20,000. During the current fiscal year, the Natural Gas System did not receive a distribution from Tri-County.

Expenses. Water and sewer expense was $832,915. Natural gas expense was $1,137,737.

Financial Analysis of the Government's Funds

The City of Union Point uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $702,871. Exactly 66.87% of this amount or $469,997 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At September 30, 2013, unassigned fund balance of the General Fund was $469,997. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balances to total fund expenditures.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at September 30, 2013 amounted to ($260,053); those of the Natural Gas Fund amounted to $232,520. The total change in Water and Sewer net position was an increase of $432,447; the change in Natural Gas net position was a decrease of $66,199.

General Fund Budgetary Highlights

Differences between the original budgeted expenditures and the final amended budgeted expenditures are an increase of approximately $16,602 or 1.85% of the original budget. The increase in the budgeted expenditures is attributable to an increase in expenditures in Governing Body, Police, Animal Control, Cemetery, and Parks and Recreation activities. Budgeted revenue increased from the original budget in the amount of $49,417. The increase in budgeted revenue was due an increase in estimated actual revenues.

- The City received donated street resurfacing from the Georgia Department of Transportation in the amount of $16,808. The City did not complete the resurfacing project during the current fiscal year and the monies will be rolled over to the 2014 fiscal year. The City did not expend any of the funds in the amount of $16,808.

- The City is planning to make major upgrades at the Wastewater Treatment Plant. The City has a preliminary commitment from USDA Rural Development for a loan and grant. The estimated cost of the project will be $2,604,000. The estimated amount of the loan is $976,000, and the estimated amount of the grant is $1,628,000. During the current fiscal year, the City expended $101,021 on engineering for this project.

- The City was awarded a 2011 and a 2013 Community Development Block Grant for the purpose of upgrading the water distribution system. The cost of engineering and administration for the project is being paid for by funds from the City's Water and Sewer System. During the current fiscal the City expended $109,840 in water and sewer funds for the project. The 2011 CDBG project was completed at the close of the current fiscal year.

City of Union Point Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2012	2013	2012	2013	2012	2013
Land	$ 17,665	$ 17,665	$ 22,044	$ 22,044	$ 39,709	$ 39,709
Site Improvements	157,280	148,322	4,425	4,425	161,705	152,747
Construction in progress	-	-	119,266	133,699	119,266	133,699
Infrastructure	503,601	468,471	3,710,294	4,062,599	4,213,895	4,531,070
Buildings	618,932	594,437	20,448	54,764	639,380	649,201
Equipmment	107,982	76,911	257,815	204,600	365,797	281,511
Vehicles	54,339	85,186	-	-	54,339	85,186
Total	$ 1,459,799	$ 1,390,992	$ 4,134,292	$ 4,482,131	$ 5,594,091	$ 5,873,123

Long-term Debt. At the end of the current fiscal year, the City had total outstanding revenue bond and loan indebtedness in the amount of $2,961,974. USDA Farmers Home Administration (Rural Development) Water and Sewerage Revenue Bonds account for $666,016, Georgia Environmental Facilities water and sewer loan accounts for $333,228, and $1,962,730 accounts for Greene County Development Authority Series 2013 issued by the City of Union Point for the payment of one half of the expenses on the extension of Tri-County Natural Gas high pressure line to the Lake Oconee Parkway Area. The water and sewerage revenue bonds represent bonds secured solely by a specified revenue source (water and sewer revenue).

City of Union Point Outstanding Debt
Revenue Bonds and GEFA Loan

	Governmental Activities		Business-Type Activities		Totals	
	2012	2013	2012	2013	2012	2013
Revenue Bonds	$ -	$ -	$ 1,072,026	$ 2,628,746	$ 1,072,026	$ 2,628,746
GEFA Loan	-	-	346,825	333,228	346,825	333,228
	$ -	$ -	$ 1,418,851	$ 2,961,974	$ 1,418,851	$ 2,961,974

During the current fiscal year, the City's total water and sewer revenue bond and loan debt decreased by $419,607 and the natural gas revenue bond debt increased by $1,962,730. Tri-County Natural Gas, a joint partnership between the City of Greensboro and the City of Union Point, extended its lines down Lake Oconee Parkway (Highway 44) for about six or seven miles. The cost will be a little more than $2,000,000. The project is being funded by each City issuing bonds for its one-half of the cost. The bonds have been issued through the Greene County Development Authority through an intergovernmental agreement. In addition, the City used the bond issue to refinance some of its USDA Rural Development debt at a lower interest rate.

Readers should refer to the notes to the financial statements for more detail on capital assets and long-term debt activity.

Capital Leases

During the fiscal year 2008 the City of Union Point entered into a lease supplement agreement with the Georgia Municipal Association. Under the lease agreement the City of Union Point's Natural Gas System is a conduit for a lease for the Tri-County Natural Gas System, a joint venture of the City of Union Point and the City of Greensboro. The Natural Gas System is obligated to pay the $150,000 lease, but the City of Union Point and City of Greensboro entered into an intergovernmental agreement that provides that the Tri-County Natural Gas System will be responsible for the repayment of the lease and will make payments in the form of a reimbursement to the City of Union Point. In the event that Tri-County proceeds are insufficient to pay amounts due under the lease, then the City of Union Point and the City of Greensboro shall evenly split any shortfall. The amount of the capital lease due at the end of the fiscal year was $0.

Economic Factors

During the current fiscal year the City's tax millage rate remained ten (10) mills.

Water and sewer revenue increased by $103,375 or 14.88% before the capital contribution of $467,361 was added. The operating revenue increased by $103,631 or 14.93%. The water and sewer expense decreased by $186,181 or 18.27%. The decrease in expense was due to an decrease in operating expense and a decrease in interest expense.

Natural gas revenue increased by $775,830 or 73.87%. Natural gas expense increased by $810,895. Cost of natural gas purchases increased by $40,286 or 14.14% while natural gas sales volumes increased by 4,350 MCF's or 29.51%. The increase in revenue and expense was associated with the increase in cost of gas from the previous fiscal year, an increase in the volume of gas sold, and in the issuance of debt.

With the economic slowdown that has occurred in prior fiscal years and fiscal year 2012, the City will need to monitor its revenue collections. The revenue sources that the City should be most concerned with will be the property tax collections, the Local Option Sales Tax collections, and natural gas sales and revenue.

During the current fiscal year Local Option Sales Tax collections decreased by $80,188 or 19.83% over the collections for the previous fiscal year. During fiscal year 2014 and until fiscal year 2023, Local Option Sales Tax collections will decrease by approximately $96,560 per year based on fiscal year 2013 collections. The reason for the reduction is due to the decennial renegotiation of the Local Option Sales Tax as required by Georgia law. The population in unincorporated Greene County increased and the population in the City of Union Point decreased according the 2010 Census. The City of Union Point's share of the LOST distribution decreased from 11.6% to 8.83% effective in November 2012.

The tax mill rate has increased from 8.949 mills to 10 mills or 1.051 mills (11.74%) between 2006 and 2012, and remains at 10 mills during the current year. Property tax revenue decreased from $217,592 in 2012 to $209,158 in 2013 for a decrease of $8,434 or 3.88%. The reason for the reduction in the tax base and tax revenue is a loss of industry and the reduction in the property evaluations due to the current economic conditions. This is in contrast to tax year 2012.

During this fiscal year and the previous fiscal year, the Natural Gas System has experienced losses. Several factors have contributed to the losses. The gas system no longer has any large and medium industrial customers. Since fiscal year 2006, the natural gas system has lost 70 customers or 16.43% of its customers. Also customers have become more aware of conservation measures and are utilizing those measures. An additional factor is government regulation and the increased cost of government regulation. Also former customers are seeking alternative means to heat their homes.

The natural gas system should increase its base rates and must find ways to reduce its costs.

The management of the City of Union Point is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position (net position) of the City or results of operations (revenues, expenses, and other changes in net position) of the City.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Clerk and Treasurer, City of Union Point, P. O. Box 233, Union Point, Georgia, 30669.

FINANCIAL STATEMENTS

CITY OF UNION POINT, GEORGIA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government			Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	$ 510,067	$ 359,302	$ 869,369	$ 16,878
Certificates of deposit	-	100,000	100,000	-
Restricted cash	-	973,862	973,862	-
Restricted investments	-	124,000	124,000	-
Accounts receivables (Net of allowances for uncollectibles):				
Taxes	9,331	-	9,331	-
Accounts	15,605	89,917	105,522	-
Due from other governments	134,211	-	134,211	-
Due from component unit	1,532	-	1,532	-
Internal balances	103,181	(103,181)	-	
Prepaid Items	18,371	27,279	45,650	-
Investment-joint venture	-	1,789,964	1,789,964	-
Capital assets:				
Nondepreciable assets	17,665	160,168	177,833	-
Depreciable assets, net	1,373,327	4,321,963	5,695,290	166,154
Total assets	2,183,290	7,843,274	10,026,564	183,032
LIABILITIES				
Accounts payable	13,179	216,768	229,947	-
Due to primary government	-	-	-	1,532
Due to other governments	-	2,407	2,407	-
Accrued expenses	53,903	5,234	59,137	-
Accrued interest	-	16,795	16,795	-
Customer deposits	-	69,667	69,667	-
Unearned revenue	16,808	-	16,808	-
Noncurrent liabilities:				
Due within one year				
Bonds payable	-	92,970	92,970	-
Notes payable	-	14,010	14,010	-
Compensated absences	7,494	11,077	18,571	-
Due in more than one year				
Bonds payable	-	2,535,776	2,535,776	-
Notes payable	-	319,218	319,218	-
Compensated absences	3,446	6,136	9,582	-
Total liabilities	94,830	3,290,058	3,384,888	1,532
NET POSITION:				
Net investment in capital assets	1,390,992	3,482,887	4,873,879	166,154
Restricted for:				
Renewal and replacement	-	124,000	124,000	-
Capital outlay	84	970,711	970,795	-
Debt service	-	3,151	3,151	-
Unrestricted/(Deficit)	697,384	(27,533)	669,851	15,346
Total net position	$ 2,088,460	$ 4,553,216	$ 6,641,676	$ 181,500

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 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: Downtown Development Authority
Primary Government								
Governmental activities								
General government	$ 139,752	$ 6,399	$ -	$ -	$ (133,353)	$ -	$ (133,353)	
Judicial	34,961	20,092	-	-	(14,869)	-	(14,869)	
Public safety	458,517	-	24,000	466,011	31,494	-	31,494	
Public works	657,761	9,998	-	-	(647,763)	-	(647,763)	
Culture and recreation	77,868	-	-	-	(77,868)	-	(77,868)	
Housing and development	15,884	-	33,245	-	17,361	-	17,361	
Total governmental activities	1,384,743	36,489	57,245	466,011	(824,998)	-	(824,998)	
Business-type activities								
Water & Sewer	832,915	716,219	-	467,361	-	350,665	350,665	
Natural Gas	1,137,736	289,899	-	21,289	-	(826,548)	(826,548)	
Total business-type activities	1,970,651	1,006,118	-	488,650	-	(475,883)	(475,883)	
Total primary government	$ 3,355,394	$ 1,042,607	$ 57,245	$ 954,661	(824,998)	(475,883)	(1,300,881)	
Component Unit:								
Downtown Development Authority	$ 45,951	$ -	$ 35,457	$ -				$ (10,494)
General Revenues:								
Property taxes					209,158	-	209,158	-
Sales taxes					343,822	-	343,822	-
Business taxes					88,274	-	88,274	-
Franchise taxes					65,033	-	65,033	-
Other taxes					2,005	-	2,005	-
Investment earnings					978	756,205	757,183	-
Miscellaneous					54,878	85,926	140,804	-
Total general revenues					764,148	842,131	1,606,279	-
Change in net position					(60,850)	366,248	305,398	(10,494)
Net position - beginning of year					2,149,310	4,186,968	6,336,278	191,994
Net position - end of year					$ 2,088,460	$ 4,553,216	$ 6,641,676	$ 181,500

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

CITY OF UNION POINT, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

ASSETS	General Fund	CDBG Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 487,700	$ -	$ 22,367	$ 510,067
Accounts receivables (Net of allowances for uncollectibles):				
Taxes	9,331	-	-	9,331
Accounts	15,605	-	-	15,605
Due from other funds	108,656	-	-	108,656
Due from other governments	134,211	-	-	134,211
Due from component unit	1,532	-	-	1,532
Prepaid items	18,371	-	-	18,371
Total Assets	$ 775,406	$ -	$ 22,367	$ 797,773
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 13,179	$ -	$ -	$ 13,179
Accrued expenses	53,903	-	-	53,903
Due to other funds	-	-	5,475	5,475
Unearned revenue	-	-	16,808	16,808
Total Liabilities	67,082	-	22,283	89,365
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	5,537	-	-	5,537
Total Deferred Inflows of Resources	5,537	-	-	5,537
Fund Balances:				
Nonspendable	18,371	-	-	18,371
Restricted	-	-	84	84
Assigned	214,419	-	-	214,419
Unassigned	469,997	-	-	469,997
Total fund balances	702,787	-	84	702,871
Total liabilities, deferred inflows of resources and fund balances	$ 775,406	$ -	$ 22,367	$ 797,773

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

CITY OF UNION POINT, GEORGIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Amounts reported for governmental activities in the statement of net position are different because:		
Fund balances reported on balance sheet of governmental funds	$	702,871
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		5,537
Long-term Liabilities		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the Statement of Net Position. Long-term liabilities at year-end consist of the following:		
Compensated absences		(10,940)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,390,992
Net position of governmental activities	$	2,088,460

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	General Fund	CDBG Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	$ 708,178	$ -	$ -	$ 708,178
Licenses and permits	6,399	-	-	6,399
Intergovernmental	57,245	466,011	-	523,256
Charges for services	9,998	-	-	9,998
Fines and forfeitures	20,092	-	-	20,092
Investment income	978	-	-	978
Miscellaneous	54,878	-	-	54,878
Total revenues	857,768	466,011	-	1,323,779
EXPENDITURES:				
Current:				
General government	118,531	-	-	118,531
Judicial	34,961	-	-	34,961
Public safety	434,983	-	-	434,983
Public works	169,629	4,050	-	173,679
Culture and recreation	50,927	-	-	50,927
Housing and development	15,884	-	-	15,884
Intergovernmental	26,000	-	-	26,000
Capital outlay	-	461,961	-	461,961
Total Expenditures	850,915	466,011	-	1,316,926
Net change in fund balances	6,853	-	-	6,853
Fund balances - beginning of year	695,934	-	84	696,018
Fund balances - end of year	$ 702,787	$ -	$ 84	$ 702,871

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

CITY OF UNION POINT, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	6,853
Revenues		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Amount reflects the current year net change.		114
Compensated Absences		
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.		
Compensated absences		990
Capital Assets		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.		
Total capital outlays		58,904
Total capital deletions		(1,188)
Total depreciation		(126,523)
Change in net position of governmental activities	$	(60,850)

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Budget			Variance with Final Budget
	Original	Final	Actual	Positive/(Negative)
REVENUES:				
Taxes	$ 698,876	$ 701,046	$ 708,178	$ 7,132
Licenses and Permits	5,450	6,651	6,399	(252)
Intergovernmental Revenues	54,645	74,400	57,245	(17,155)
Charges for Services	10,200	10,125	9,998	(127)
Fines and Forfeitures	42,000	21,500	20,092	(1,408)
Investment income	1,100	1,100	978	(122)
Contributions and Donations	-	250	-	(250)
Miscellaneous	8,400	55,016	54,878	(138)
Total Revenues	820,671	870,088	857,768	(12,320)
EXPENDITURES:				
Current				
General Government:				
Governing Body	13,535	13,891	13,143	748
Financial administration	95,317	88,604	80,755	7,849
City facilities	31,667	28,297	24,633	3,664
Judicial:				
Municipal court	39,612	36,710	34,961	1,749
Public safety:				
Police	425,197	428,095	398,765	29,330
Custody of prisoners	500	300	286	14
Fire administration	44,442	38,952	35,932	3,020
Animal control	375	400	-	400
Public works:				
Highways and streets	47,025	46,790	43,841	2,949
Solid waste and recycling	52,882	51,356	48,181	3,175
Cemetery	46,036	83,223	77,607	5,616
Culture and recreation:				
Parks and recreation	39,051	40,575	39,193	1,382
Library	11,735	11,735	11,734	1
Housing and development:				
Protective inspection administration	800	325	-	325
Economic development and assistance	19,162	16,210	15,782	428
Code enforcement	1,725	200	102	98

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

	Budget			Variance with Final Budget
	Original	Final	Actual	Positive/(Negative)
Payments to Other Governmental Agencies:				
Downtown Development Authority	$ 26,000	$ 26,000	$ 26,000	$ -
Total Expenditures	895,061	911,663	850,915	60,748
Net change in fund balance	(74,390)	(41,575)	6,853	48,428
Fund Balance - Beginning of Year	695,934	695,934	695,934	-
Fund Balance - End of Year	$ 621,544	$ 654,359	$ 702,787	$ 48,428

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 224,766	$ 134,536	$ 359,302
Restricted cash	3,151	970,711	973,862
Certificates of Deposit	-	100,000	100,000
Restricted investments	124,000	-	124,000
Accounts receivable (net of allowance for uncollectibles)	81,915	8,002	89,917
Due from other funds	-	354,390	354,390
Due from other governments	-	-	-
Prepaid items	19,447	7,832	27,279
Total current assets	453,279	1,575,471	2,028,750
Long-term assets:			
Investment-joint venture	-	1,789,964	1,789,964
Capital assets:			
Nondepreciable assets	160,168	-	160,168
Depreciable assets, net	4,211,212	110,751	4,321,963
Total long-term assets	4,371,380	1,900,715	6,272,095
Total assets	$ 4,824,659	$ 3,476,186	$ 8,300,845

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013
(CONTINUED)

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
LIABILITIES			
Current liabilities:			
Accounts payable	$ 68,986	$ 147,782	$ 216,768
Salaries and benefits payable	3,419	1,815	5,234
Accrued interest	-	16,795	16,795
Due to other funds	457,571	-	457,571
Due to other governments	-	2,407	2,407
Customer deposits	45,195	24,472	69,667
Bonds payable	7,970	85,000	92,970
Notes payable	14,010	-	14,010
Compensated absences	6,868	4,209	11,077
Total current liabilities	604,019	282,480	886,499
Long-term liabilities:			
Bonds payable	658,046	1,877,730	2,535,776
Notes payable	319,218	-	319,218
Compensated absences	4,142	1,994	6,136
Total long-term liabilities	981,406	1,879,724	2,861,130
Total liabilities	1,585,425	2,162,204	3,747,629
NET POSITION			
Net investment in capital assets	3,372,136	110,751	3,482,887
Restricted:			
Restricted for renewal and replacement	124,000	-	124,000
Restricted for debt service	3,151	-	3,151
Restricted for capital outlay	-	970,711	970,711
Unrestricted/(Deficit)	(260,053)	232,520	(27,533)
Total net position	$ 3,239,234	$ 1,313,982	$ 4,553,216

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds		
Operating Revenues:	Water and Sewer Fund	Natural Gas Fund	Total
Charges for services	$ 716,219	$ 289,899	$ 1,006,118
Miscellaneous	81,319	4,607	85,926
Total operating revenues	797,538	294,506	1,092,044
Operating Expenses:			
Personal services	221,506	114,159	335,665
Purchased/contracted services	140,252	44,556	184,808
Supplies and materials	150,290	140,585	290,875
Depreciation	265,374	10,815	276,189
Other costs	-	13,454	13,454
Total Operating Expenses	777,422	323,569	1,100,991
Operating Income (Loss)	20,116	(29,063)	(8,947)
Non-Operating Revenues (Expenses):			
Investment earnings	463	762	1,225
Investment income-joint venture	-	754,980	754,980
Intergovernmental revenue	-	21,289	21,289
Bond issuance costs	-	(101,534)	(101,534)
Intergovernmental expense	-	(674,549)	(674,549)
Interest expense	(55,493)	(38,084)	(93,577)
Total Non-Operating Revenues (Expenses)	(55,030)	(37,136)	(92,166)
Net Income (Loss) before Contributions	(34,914)	(66,199)	(101,113)
Capital contribution	467,361	-	467,361
Change in net position	432,447	(66,199)	366,248
Net position - beginning of year	2,806,787	1,380,181	4,186,968
Net position - end of year	$ 3,239,234	$ 1,313,982	$ 4,553,216

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds		
Cash Flows from Operating Activities:	Water and Sewer Fund	Natural Gas Fund	Total
Cash received from customers	$ 1,188,235	$ (27,058)	$ 1,161,177
Cash paid to suppliers for good and services	(306,023)	(56,271)	(362,294)
Cash paid to employees	(222,067)	(113,811)	(335,878)
Net Cash Provided by (Used for) Operating Activities	660,145	(197,140)	463,005
Cash Flows from Capital and Related Financing Activities:			
Capital contributions	467,361	-	467,361
Acquisition and construction of assets	(624,028)	-	(624,028)
Principal paid on debt	(419,607)	(30,269)	(449,876)
Bond issuance costs	-	(101,534)	(101,534)
Intergovernmental expense	-	(674,549)	(674,549)
Proceeds from bond issuance	-	1,962,730	1,962,730
Intergovernmental revenue	-	21,289	21,289
Interest paid on debt	(76,649)	(21,289)	(97,938)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(652,923)	1,156,378	503,455
Cash Flows from Investing Activities:			
Interest received	463	762	1,225
Net Cash Provided by (Used for) Investing Activities	463	762	1,225
Net Increase (Decrease) in Cash and Cash Equivalents	7,685	960,000	967,685
Cash and Cash Equivalents - Beginning of Year	220,232	145,247	365,479
Cash and Cash Equivalents - End of Year	$ 227,917	$ 1,105,247	$ 1,333,164

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Reconciliation of Cash Equivalents:			
Cash	$ 224,766	$ 134,536	$ 359,302
Restricted cash	3,151	970,711	973,862
Total Cash and Cash Equivalents	$ 227,917	$ 1,105,247	$ 1,333,164
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	$ 20,116	$ (29,063)	$ (8,947)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and amortization	265,374	10,815	276,189
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivables	(21,279)	707	(20,572)
(Increase) decrease in due from other funds	-	(354,390)	(354,390)
(Increase) decrease in due from other governments	-	30,269	30,269
(Increase) decrease in prepaids	(11,190)	(4,700)	(15,890)
Increase (decrease) in accounts payable	(4,291)	147,024	142,733
Increase (decrease) in due to other funds	409,530	-	409,530
Increase (decrease) in customer deposits	2,446	1,850	4,296
Increase (decrease) in accrued expenses	(561)	348	(213)
Total adjustments	640,029	(168,077)	471,952
Net Cash Provided by (Used for) Operating Activities	$ 660,145	$ (197,140)	$ 463,005

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Union Point, Georgia was incorporated under the laws of the State of Georgia in 1904 and operates under a mayor-council form of government. The Mayor and a six-member council govern the City and are elected for four-year terms. The Mayor and the Council all serve on a part-time basis. The Mayor and Council appoint a City Clerk who is responsible for the daily operations of the City.

The financial statements of the City of Union Point, Georgia (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In conformity with generally accepted accounting principles, as set forth in GASB Statement No. 14, *The Financial Reporting Entity*, the financial statements of the reporting entity include those of the City of Union Point, Georgia (the primary government) and its component units. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate.
- The City holds the corporate powers of the organization.
- The City appoints a voting majority of the organization's board.
- The City is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the City.
- There is a fiscal dependency by the organization on the City.

Discretely Presented Component Units – Based on the aforementioned GASB criteria, the component units' columns in the government-wide Statement of Net Position and Statement of Activities include the financial data of the City's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the City.

Downtown Development Authority of the City of Union Point, Georgia – The Downtown Development Authority's governing board is appointed by the Mayor and Council. In addition, the City funds a significant portion of the Downtown Development Authority's budget.

The Downtown Development Authority of the City of Union Point, Georgia does not issue separate financial statements. The Downtown Development Authority has a September 30 fiscal year end.

B. Basis of Presentation, Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities report information on all the non-fiduciary activities of the primary government (the City). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The City first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The City reports the following major governmental fund:

General Fund – This 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 City reports the following major enterprise funds:

Water and Sewer Fund – This fund accounts for the operation, maintenance and development of the City's water and sewer system.

Natural Gas Fund – This fund accounts for the operation, maintenance and development of the City's natural gas system.

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements – The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions are transactions in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange. Non-exchange transactions include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, insurance premium tax, franchise taxes, licenses and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

C. Budgets and Budgetary Accounting

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

1. Prior to October 1, the Treasurer and the Council Budget Committee prepare a proposed budget for the fiscal year commencing October 1.

2. The Treasurer and Council Budget Committee submit the proposed budget to the Mayor and Council.

3. Public hearings are held to obtain taxpayer's comments.

4. The budget is legally enacted through the passage of a resolution.

5. All revisions to the budget must be submitted to the City Council for approval.

6. The budget is prepared and adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the General Fund and Special Revenue Funds. The legal level of control for these budgets is the department level. A project length budget is adopted for all Capital Projects Funds. An operating budget is prepared for each Enterprise Fund for planning, control, cost allocation, and evaluation purposes. Budgetary amounts are not formally integrated into the Enterprise Fund general ledgers.

7. Budgetary appropriations lapse at the end of the fiscal year.

D. Encumbrances

The City does not use encumbrance accounting; under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation.

E. Deposits and Investments

Cash consists of demand and interest-bearing deposits held in banks. All deposits with financial institutions must be collateralized in an amount equal to 110% of uninsured deposits. In lieu of a surety bond, a depository of public funds may pledge as collateral any one or more of the following securities as enumerated in OCGA 50-17-59: bonds, bills certificates of indebtedness, notes, or other direct obligations of the United States, the State of Georgia, or counties or municipalities of the State of Georgia; bonds of any public authority created by Georgia law; industrial revenue bonds or bonds of development authorities; Home Loan Mortgage Corporation and Federal National Mortgage Association.

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

Investments consist of certificates of deposit and are recorded at cost, which approximates market value.

F. Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles, when material.

G. Property Tax Calendar

Property taxes attach as an enforceable lien on property as of January 1. City property tax revenues are recognized when levied to the extent that they result in current receivables.

Property taxes were levied on October 9, 2012. The assessed values are an approximation of market value as determined by the Greene County Tax Commissioner. Tax bills are mailed at least 60 days prior to the due date of December 31. For the fiscal year ended September 30, 2013, the collection period was October 15, 2012 to December 15, 2012.

Property taxes are recognized when they become measurable and available. "Measurable" means that the amount of the transaction can be determined and "available" means due, or past due and receivable within the current period, and collected or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after the end of the year.

When property taxes receivable are recognized, or when property taxes are collected in advance of the year for which they are levied, they are recorded as unearned revenue and recognized as revenue in the year for which they are levied, in accordance with the "available" criterion.

Taxes receivable at September 30, 2013 amounted to $19,158, the estimate of uncollectible taxes was $9,827 and unavailable property tax revenue totaled $5,537.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. Inventories

Inventories are not maintained on the books because of the immateriality of the amounts involved; therefore, disbursements for inventory are considered expenditures at the time of purchase rather than time of use.

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items acquired subsequent to January 1, 2004), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant and equipment with individual costs that equal to or exceed $5,000 are recorded as capital assets. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the time of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, net of related interest earned, is included as part of the capitalized value of the assets constructed.

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

Asset Class	Estimated Useful Lives
Infrastructure	15-99
Buildings and improvements	20-50
Water and sewer distribution system	20-50
Vehicles	4
Furniture and fixtures	10
Equipment	10
Computer Equipment	5
Heavy Machinery	5

K. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated annual vacation. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Governmental activities compensated absences balances are liquidated through the General Fund.

L. Deferred Inflows / Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense / expenditures) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

M. Restricted Assets

Certain proceeds of Enterprise Fund revenue bonds, as well as certain resources set aside for the repayment of the current portion of certain long-term obligations, are classified as restricted assets. At September 30, 2013, restricted assets in the Enterprise Funds consisted of $3,151 in bond sinking funds, $124,000 in bond reserves for renewal and replacement and $970,711 in bond funds for capital outlay.

N. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

O. Fund Balance

In the financial statements, governmental funds report the following classifications of fund balance in accordance with Governmental Accounting Standards Board Statement No. 54:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – amounts are restricted when constraints have been placed on the use of resources by (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The City Council approves committed resources through a motion and vote during the voting session of City Council meetings.

- Assigned – amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The intent is expressed by the City Council. By motion, the Council has authorized the City Clerk or designee to assign fund balances.
- Unassigned – amounts that have not been assigned to other funds, and that are not restricted, committed, or assigned to specific purposes within the General Fund.

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

- Committed
- Assigned
- Unassigned

The City does not have a formal minimum fund balance policy. The following is a summary of the fund balance classifications as of September 30, 2013:

	General Fund	Nonmajor Governmental	Total
Fund Balances			
Nonspendable:			
Prepaids	$ 18,371	$ -	$ 18,371
Restricted:			
Capital outlay	-	84	84
Assigned for:			
Perpetual care	24,301	-	24,301
Equipment	4,118	-	4,118
Working capital	186,000	-	186,000
Unassigned	469,997	-	469,997
Total fund balances	$ 702,787	$ 84	$ 702,871

NOTE 2 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk

The custodial credit risk of deposits is the risk that in the event of the failure of a bank, the government will not be able to recover deposits. The City's bank balances of deposits as of September 30, 2013 are entirely insured or collateralized with securities held by the City's agent in the City's name. State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City does not have a formal policy for managing interest rate risk.

Credit Quality Risk

Georgia law authorizes local governments to invest in the following types of obligations: obligations of the State of Georgia or any other states; obligations issues by the United States; obligations fully insured or guaranteed by the United States government or governmental agency; prime banker's acceptances; State of Georgia Local Government Investment Pool; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

At September 30, 2013, the City's investment in certificates of deposit was as follows:

Investment	Maturity	Amount
Certificates of Deposit – Natural Gas Fund	6 months	$ 100,000
Certificates of Deposit – Water & Sewer Fund	6 months	60,000
Certificates of Deposit – Water & Sewer Fund	6 months	64,000

The City does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk

There are no limits on the amounts the City may invest in any one issuer. GASB Statement 40 requires disclosure when the percentage is 5% or more in any one issuer. All of the City's investments were concentrated in certificates of deposit at the Farmers Bank at September 30, 2013.

NOTE 3 – RECEIVABLES

Receivables as of year end for the government's individual major funds, including applicable allowances for uncollectible accounts, are as follows:

Receivables:	General Fund	Water & Sewer Fund	Natural Gas Fund	Total
Accounts	$ 15,605	$ 117,556	$ 18,953	$ 152,114
Taxes	19,158	-	-	19,158
Intergovernmenal	134,211	-	-	134,211
Gross receivables	168,974	117,556	18,953	305,483
Less: allowance for uncollectibles	(9,827)	(35,641)	(10,951)	(56,419)
Net total receivables	$159,147	$81,915	$8,002	$249,064

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 17,665	$ -	$ -	$ 17,665
Construction in progress	-	-	-	-
Total capital assets not being depreciated	17,665	-	-	17,665
Capital assets being depreciated:				
Infrastructure	686,588	-	-	686,588
Site improvements	242,418	-	-	242,418
Buildings	1,143,304	-	-	1,143,304
Equipment	378,461	35,639	36,970	377,130
Vehicles	786,573	23,265	-	809,838
Total capital assets being depreciated	3,237,344	58,904	36,970	3,259,278
Less Accumulated Depreciation for:				
Infrastructure	182,987	35,130	-	218,117
Site improvements	85,138	8,958	-	94,096
Buildings	524,372	24,495	-	548,867
Equipment	270,479	29,740	-	300,219
Vehicles	732,234	28,200	35,782	724,652
Total accumulated depreciation	1,795,210	126,523	35,782	1,885,951
Total capital assets being depreciated, net	1,442,134	(67,619)	1,188	1,373,327
Governmental activities capital assets, net	$ 1,459,799	$ (67,619)	$ 1,188	$ 1,390,992

Business-type Activities:	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	$ 22,044	$ -	$ -	$ -	$ 22,044
Site improvements	4,425	-	-	-	4,425
Construction in progress	119,266	109,371	-	(94,938)	133,699
Total capital assets not being depreciated	145,735	109,371	-	(94,938)	160,168
Capital assets being depreciated:					
Infrastructure	6,404,293	478,357	-	94,938	6,977,588
Buildings	49,723	36,300	-	-	86,023
Equipment	790,737	-	-	-	790,737
Vehicles	179,348	-	-	-	179,348
Total capital assets being depreciated	7,424,101	514,657	-	94,938	8,033,696
Less Accumulated Depreciation for:					
Infrastructure	2,693,999	220,990	-	-	2,914,989
Buildings	29,275	1,984	-	-	31,259
Equipment	532,922	53,215	-	-	586,137
Vehicles	179,348	-	-	-	179,348
Total accumulated depreciation	3,435,544	276,189	-	-	3,711,733
Total capital assets being depreciated, ne	3,988,557	238,468	-	94,938	4,321,963
Business-type activities capital assets, net	$ 4,134,292	$ 347,839	$ -	$ -	4,482,131
				Less related long-term debt oustanding *	(999,244)
				Net investment in capital assets	$ 3,482,887

* - The capital assets associated with the Series 2013 Bonds in the Natural Gas Fund are reported as a part of Tri-County Natural Gas System, a joint venture of the City and, therefore, the Series 2013 bonds payable amount of $1,962,730 is not included in the related long-term debt outstanding for the calculation of the net investment in capital assets.

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Depreciation expense for governmental activities was charged to functions as follows:

General government	$ 22,211
Public safety	46,799
Public works	56,572
Culture and recreation	941
Total governmental activities depreciation expense	$ 126,523

Depreciation expense for business-type activities was charged to functions as follows:

Water and sewer	$ 265,374
Natural gas	10,815
Total business-type activities depreciation expense	$ 276,189

Activity for the Downtown Development Authority for the fiscal year ended September 30, 2013, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Discretely presented component unit:				
Capital assets being depreciated:				
Buildings	$ 178,536	$ 2,282	$ -	$ 180,818
Total capital assets, being depreciated	178,536	2,282	-	180,818
Less accumulated depreciation for:				
Buildings	11,048	3,616	-	14,664
Total accumulated depreciation	11,048	3,616	-	14,664
Total capital assets being depreciated, net	167,488	1,334	-	166,154
Authority capital assets, net	$ 167,488	$ 1,334	$ -	$ 166,154

NOTE 5 – INTERFUND BALANCES AND ACTIVITY

At September 30, 2013, internal balances between funds of the City consisted of:

	Payable Fund		
Receivable Fund:	Nonmajor Governmental	Water & Sewer	Total
Governmental funds:			
General Fund	$ 5,475	$ 103,181	$ 108,656
Natural Gas Fund	-	354,390	354,390
Total	$ 5,475	$ 457,571	$ 463,046

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

NOTE 6 – INVESTMENTS – JOINT VENTURE

The City is a member of a joint venture, Tri-County Natural Gas System, with the City of Greensboro, Georgia. The purpose of Tri-County Natural Gas is to acquire, construct, and operate a gas transmission line that passes through the City of Crawford, the City of Lexington and the City of Arnoldsville, all located in Oglethorpe County, the City of Crawfordville, located in Taliaferro County, and the City of Woodville located in Greene County. These cities are referred to as "Franchise Cities". The "Franchise Cities" obtain natural gas for their residents from the Tri-County Natural Gas System.

The City of Union Point, Georgia's investment in Tri-County Natural Gas System is as follows:

Investment, October 1	$ 1,034,984
Union Point's share of net income	754,980
Investment, September 30	$ 1,789,964

NOTE 7 – LONG-TERM DEBT

Categories of debt

Revenue bonds

The City of Union Point, Georgia has two series of bonds outstanding at September 30, 2013. The purpose of the bonds was to finance construction projects to expand existing wastewater treatment facilities and to expand existing natural gas pipelines.

1974 Series

Under the terms of the Bond Ordinance, the Series 1974 Bonds are secured by a pledge of and lien on the revenues of the water and sewer system. The City may, under certain terms and conditions as provided in the Bond Ordinance, issue additional parity bonds payable from the revenues and ranking on parity as to lien on such revenues with the lien thereon securing the Series 1974 Bonds.

The Series 1974 Bonds are limited obligations of the City and are payable, together with any additional bonds, solely from the revenues of the water and sewer system. The Series 1974 Bonds do not constitute a debt or a general obligation or a pledge of the faith and credit of the State of Georgia or any political subdivision thereof, including the City, and do not obligate such State or City to levy or to pledge any form of taxation for the payment of amounts due thereon; nor shall the Series 1974 Bonds constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City, except for the funds pledged to the payment thereof. The Series 1974 Bonds are not secured by a lien on the real or personal property constituting the System.

Series 1974-B – Bonds in the original amount of $260,000 bearing interest at 5.00%. Principal and interest are payable annually on January 1. This series is payable in annual installments ranging from $14,500 to $16,800.

1985 Series

Under the terms of the Bond Ordinance, the Series 1985 Bonds are secured by a pledge of and lien on the revenues of the water and sewer system. This lien is ranked in pari passu with the lien of the Series 1974 Bonds.

The Series 1985 Bonds are limited obligations of the City and are payable, together with any additional bonds, solely from the revenues of the water and sewer system. The Series 1985 Bonds do not constitute a debt or a general obligation or a pledge of the faith and credit of the State of Georgia or any political subdivision thereof, including the City, and do not obligate such State or City to levy or to pledge any form of taxation for the payment of amounts due thereon; nor shall the Series 1985 Bonds constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City, except for the funds pledged to the payment thereof. The Series 1985 Bonds are not secured by a lien on the real or personal property constituting the System.

Series 1985-A – Bonds in the original amount of $550,000 bearing interest at 7.25%. Principal and interest are payable annually on January 1. This series is payable in annual installments ranging from $41,776 to $47,661.

Series 1985-B – Bonds in the original amount of $124,000 bearing interest at 7.25%. Principal and interest are payable annually on January 1. This series is payable in annual installments ranging from $8,005 to $13,400.

2008 Series

Under the terms of the Bond Ordinance, the Series 2008 Bonds are secured by a pledge of and lien on the revenues of the water and sewer system. This lien is ranked in pari passu with the lien of the Series 1974 and 1985 Bonds.

The Series 2008 Bonds are limited obligations of the City and are payable, together with any additional bonds, solely from the revenues of the water and sewer system. The Series 2008 Bonds do not constitute a debt or a general obligation or a pledge of the faith and credit of the State of Georgia or any political subdivision thereof, including the City, and do not obligate such State or City to levy or to pledge any form of taxation for the payment of amounts due thereon; nor shall the Series 2008 Bonds constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City, except for the funds pledged to the payment thereof. The Series 2008 Bonds are not secured by a lien on the real or personal property constituting the System.

The Series 2008 Bonds were issued in the original amount of $694,000 bearing interest at 4.5%. Principal and interest are payable monthly installments of $3,151.

2013 Series

Under the terms of the Bond Ordinance, the Series 2013 Bonds are secured by a pledge of and lien on the revenues of the natural gas system. This lien is ranked in pari passu with the lien of the Series 2008 Bonds.

The Series 2013 Bonds are limited obligations of the City and are payable, together with any additional bonds, solely from the revenues of the natural gas system. The Series 2013 Bonds do not constitute a debt or a general obligation or a pledge of the faith and credit of the State of Georgia or any political subdivision thereof, including the City, and do not obligate such State or City to levy or to pledge any form of taxation for the payment of amounts due thereon; nor shall the Series 2013 Bonds constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City, except for the funds pledged to the payment thereof. The Series 2013 Bonds are not secured by a lien on the real or personal property constituting the System.

The Series 2013 Bonds were issued in the original amount of $1,985,000 bearing interest at 2%. Principal and interest are payable in annual installments ranging from $45,000 to $90,000. During FY 2013, the City received $21,289 from Tri-County Natural Gas as reimbursement for interest paid by the City on these bonds. This revenue is reflected as intergovernmental revenue on the Statement of Revenues, Expenses, and Changes in Net Position.

Notes Payable

The Water and Sewer Fund is obligated to the Georgia Environmental Facilities Authority under a note in the original amount of $378,825. The original note bore interest at 4.8% and was payable in installments of $8,893. On February 1, 2005, the note was revised to monthly payments of $2,954 and a final payment of $2,932. The note was used to finance certain water and sewer improvements.

During fiscal year 2011, the Water and Sewer Fund obtained financing from the Georgia Environmental Facilities Authority under a loan agreement in the amount of up to $1,200,000. The loan was used to finance the costs of acquiring, constructing and installing the City's sanitary sewer collection system. Upon completion of the project, GEFA will forgive 70% of each principal and interest payment due on the loan. The note bore interest at 3.0% and was payable in monthly installments. The loan was used to finance sewer system improvements.

Capital Leases

The City of Union Point, Georgia's Natural Gas Fund is a conduit for a lease for Tri-County Natural Gas System, a joint venture of the City of Union Point and the City of Greensboro. Therefore, none of the assets of the business-type activities of the City are included in assets under capital lease arrangements. The Natural Gas Fund is obligated to pay the $324,000 lease, but the City of Union Point and the City of Greensboro entered into an intergovernmental agreement that provides that Tri-County Natural Gas System will be primarily responsible for the repayment of any and all amounts accruing under the lease, and shall make payments either directly or in the form of a reimbursement to the City of Union Point. In the event that Tri-County proceeds are insufficient to pay amounts under the lease, then the City of Union Point and the City of Greensboro shall evenly split any shortfall.

During the fiscal year ended September 30, 2008, the City entered into a second capital lease as a conduit for a lease for Tri-County Natural Gas System. The Natural Gas Fund is obligated to pay the $150,000 lease, but the City of Union Point and the City of Greensboro entered into an intergovernmental agreement that provides that Tri-County Natural Gas System will be primarily responsible for the repayment of any and all amounts accruing under the lease, and shall make payments either directly or in the form of a reimbursement to the City of Union Point. In the event that Tri-County proceeds are insufficient to pay amounts under the lease, then the City of Union Point and the City of Greensboro shall evenly split any shortfall. During fiscal year 2013, the last payment on this intergovernmental agreement was made by Tri-County Natural Gas.

Long-term Obligation Activity

Changes in long-term obligations for the year ended September 30, 2013 are as follows:

	Beginning Balance	Increases	Decrease	Ending Balance	Due within One Year
Governmental activities:					
Compensated absences	$ 11,930	$ 3,848	$ 4,838	$ 10,940	$ 7,494
Total governmental activities	$ 11,930	$ 3,848	$ 4,838	$ 10,940	$ 7,494
Business-type activities:					
Revenue bonds					
1974-B Bonds	$ 30,000	$ -	$ 30,000	$ -	$ -
1985-A Bonds	349,085	-	349,085	-	-
1985-B Bonds	19,305	-	19,305	-	-
2008 Bonds	673,636	-	7,620	666,016	7,970
2013 Bonds	-	1,985,000	-	1,985,000	85,000
2013 Bond Discount	-	(22,270)	-	(22,270)	-
Notes payable	346,825	-	13,597	333,228	14,010
Capital lease obligations	30,269	-	30,269	-	-
Compensated absences	16,976	14,427	14,190	17,213	11,077
Total business-type activities	$ 1,466,096	$ 1,977,157	$ 464,066	$ 2,979,187	$ 118,057

For the governmental activities, compensated absences are generally liquidated by the General Fund. For the business-type activities, long-term liabilities are liquidated by the Water and Sewer Fund and Natural Gas Fund.

Debt Service Requirements for Revenue Bonds and GEFA Note

Debt service requirements on the revenue bonds and GEFA note at September 30, 2013 are as follows:

	Business-type Activities			
	Revenue Bonds		GEFA Note	
Year Ending September 30,	Principal	Interest	Principal	Interest
2014	$ 92,970	$ 97,760	$ 14,010	$ 9,805
2015	73,337	95,894	14,436	9,379
2016	73,720	94,210	14,875	8,940
2017	74,121	92,509	15,328	8,487
2018	74,541	90,790	15,794	8,021
2019-2023	419,705	418,733	86,475	32,600
2024-2028	333,497	352,754	100,450	18,625
2029-2033	355,766	286,481	71,860	3,557
2034-2038	437,389	203,858	-	-
2039-2043	544,464	99,646	-	-
2044-2048	168,364	20,696	-	-
2049	3,142	-	-	-
Total	$ 2,651,016	$ 1,853,331	$ 333,228	$ 99,414

Capitalization of Interest

Interest costs incurred in the Water & Sewer Proprietary Fund during construction are capitalized, net of interest income from proceeds of related tax-exempt debt, as part of the cost of the related assets of the Water and Sewer Proprietary Fund. The amount capitalized for the fiscal year ended September 30, 2013 was $0.

NOTE 8 – RETIREMENT BENEFITS

Defined Benefit Pension Plan

The City established a defined benefit pension plan for full-time employees employed at least one year. The City's defined benefit pension plan, the City of Union Point Retirement Plan, provides retirement and disability benefits to plan members and beneficiaries. The plan is reported on a fiscal year ending November 1.

Plan Description

The City contributes to the City of Union Point Retirement Plan, which is a participating member in the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employer plan. O.C.G.A. Section 47-5-1 et. Seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in the GMEBS to the respective employer entities. For the City of Union Point Retirement Plan, that authority rests with the City

of Union Point, Georgia. It is the responsibility of GMEBS to function as the investment and administrative agent for the City of Union Point, Georgia with respect to the pension plan. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Employee Benefits System, 201 Pryor Street, SW, Atlanta, GA 30303, or by calling (404) 688-0472. The total payroll for employees participating in the Plan as of January 1, 2013 (the most recent actuarial valuation date) was $683,803.

All employees who work twenty hours or more per week are eligible to participate after one year of service. Elected officials are not eligible to participate. The pension benefits are fully vested after 10 years in the plan. Participants become eligible to retire at age 65 with 5 years of participation in the Plan. Upon eligibility to retire, participants are entitled to an annual benefit in the amount of 1.00% to 1.75% of his/her final average earnings in excess of a breakpoint that is determined based on age. An employee may elect early retirement at age 55 provided that the employee has a minimum of 10 years total credited service. Participants who have completed 10 years of credited services are eligible to designate a beneficiary to receive death benefits.

City employees are not permitted to contribute to the Plan. The City contributes the entire cost of the Plan, using the actuarial basis described in the annual valuation report.

Plan Asset Matters and Accounting Policies

The Plan's financial statements are prepared on an accrual basis, modified to include unrealized gains or losses on marketable securities owned by the Plan and increments in cash value of death benefits.

Investments in securities are valued at current market prices. Plan assets do not include any loans, notes, bonds or other instruments or securities of the City or related parties.

Plan Membership

Retirees and beneficiaries receiving benefits	7
Terminated plan members entitled to, but not Receiving benefits	9
Active plan members	21
Total	37

Contributions

The plan is subject to the minimum funding standards of the Public Retirement System Standards Law (O.C.G.A. Section 47-20-10). The estimated minimum annual contribution under those standards is $33,893 which is 4.39% of covered payroll. The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuation in annual contribution amounts and to accumulated sufficient funds to secure benefits under the plan. The GMEBS funding policy is to contribute an amount equal to the recommended contribution each year. The recommended contribution of $33,893, which is 4.39% of covered payroll, meets the guidelines for calculating

an annual required contribution as set forth is GASB 27. Administrative expenses are based on the total covered payroll of plan members and are added to the annual funding requirement.

Annual Pension Cost

The City's required and actual employer contribution was $33,893 for the plan year ended January 1, 2013. The actuarial assumptions and actuarial cost method are as follows:

Valuation date	January 1, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar (Closed)
Remaining amortization period	10 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases:	
Inflation at	3.5% per year
Merit or seniority	0.5% per year
Cost of living adjustments	0.0% per year

Net Pension Obligation

During the 1997 Plan Year, the City implemented the new GASB Statements 25 and 27. The pension liability was determined at the time of transition to these new standards in accordance with Statement No. 27. Historically, the City has always made the actuarially determined employer contribution, so that the City had no pension liability or asset at the point of transition to the new standards.

Fiscal Year Beginning	Pension Cost (APC)	Percent of APC Contributed	Pension Obligation
10/1/2012	$ 33,893	100%	$ -
10/1/2011	36,774	100%	-
10/1/2010	38,624	100%	-

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/13	$ 772,512	$ 790,132	$ 17,620	97.77%	$ 683,803	2.58%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2013.

Defined Contribution Plan

The employees of the City may also participate in the City of Union Point Money Purchase Plan, a defined contribution pension plan established under Section 401A of the Internal Revenue Code. The plan administrator, the City of Union Point, has appointed Nationwide Retirement Solutions to provide record keeping and administrative services related to the plan. The Plan was established to provide supplemental benefits at retirement to the City's employees. All employees with 5 years of service are eligible to participate in the plan. Eligible employees are fully vested upon admission to the plan. At December 31, 2012, there were 10 active participants and 3 terminated participants. Under the terms of the plan, the City will make a contribution to eligible participants equal to 50% of the employee's contribution to the Section 457 Deferred Compensation Plan, up to a maximum of 4% of salary. Total contributions by Union Point for 2012 were $2,152 by the employer and $9,460 by employees. The City's total payroll for the year ended December 31, 2012 was $664,700. Plan provisions and contribution requirements are established and may be amended by the Mayor and Council of the City of Union Point, Georgia.

NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these various risks with a deductible as follows: contractor's equipment protection - $500, public official liabilities - $5,000, police professional liability - $5,000, all other risks have a deductible of $1,000.

The City participates in the Georgia Municipal Association Worker's Compensation Self Insurance Fund. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for Workers' Compensation Self Insurance Fund (WCSIF), a public entity risk pool currently operating as a common risk management and insurance program for member local governments. The Georgia Municipal Association operates the risk pool.

As a part of this risk pool, the City is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, and in accordance with any coverage descriptions issues, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pools' agents and attorneys to represent the

City in any investigation, settlement discussions, and all levels of litigation arising out of any claim made against the city within the scope of protection furnished by the fund.

The fund is to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The fund is to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded coverage.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

During the course of normal operations of the City, various claims and lawsuits arise. The City attorney has advised that there are no potential liabilities that will impair the City's financial position as of the date of this audit report.

NOTE 11 – JOINT VENTURES

A joint venture has the following characteristics:

1. It is a legal entity that results from a contractual arrangement.
2. It is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control.
3. Participants retain an ongoing financial interest or an ongoing financial responsibility.

Northeast Georgia Regional Commission

Under Georgia law, the City, in conjunction with other cities and counties in the 12 county Northeast Georgia area is a member of the Northeast Georgia Regional Commission (the "RC") and is required to pay annual dues thereto. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC 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 an RC. Separate financial statements may be obtained from the RC's administrative office at 305 Research Drive, Athens, Georgia 30610.

Greene County Development Authority

The Greene County Development Authority (the Authority) was established to develop, promote and expand for the public good and the general welfare, industry, agriculture, commerce, natural resources and vocational training and to make long range plans for the coordination of such development, promotion and expansion, within the territorial limits of Greene County, Georgia.

On April 6, 2004, the Authority and the City of Union Point, Georgia entered into an intergovernmental agreement with Greene County, Georgia, the City of Greensboro, Georgia, the City of White Plains, Georgia, the City of Siloam, Georgia, and the City of Woodville, Georgia.

The agreement provides funding for the position of "Director of Economic Development" (Director). The Director will be employed by the Authority. Greene County shall provide administrative services related to payroll and employee benefits. Each joint venture member shall contribute a share of the director's expenses. The position shall have a budget which must be approved by all venture members and cannot exceed $100,000 per year. Member contributions shall be based on their relative participation in Greene County LOST funding. The agreement is for one year and renews automatically from year to year. Members can terminate their obligations on the anniversary date upon written notice at least ninety (90) days prior to the effective date. The City's share of the Director's expense was $9,061.

Complete financial statements of the Greene County Development Authority can be obtained by contacting the Authority at P.O. Box 741, Greensboro, GA 30642.

NOTE 12 – RELATED ENTITY

On September 10, 1957, the City of Union Point, Georgia entered into a cooperative agreement with the Housing Authority of the City of Union Point, Georgia (the "Housing Authority"). Under the terms of this agreement, the Housing Authority agrees to endeavor to secure a contract with the Public Housing Authority (the "PHA") for loans and annual contributions and agrees to endeavor to develop and administer one or more projects. The obligations of the parties apply only to projects aggregating not more than 200 units of low-rent housing located within the corporate limits of the City of Union Point. Under the constitution and statutes of the State of Georgia, all projects are exempt from all real and personal property taxes levied or imposed by any taxing body.

The City agrees that it will not levy or impose real or personal taxes or special assessments upon such projects or upon the Housing Authority with respect thereto as long as:

- The projects are owned by a public body or government agency,
- A contract exists between the Housing Authority and the PHA,
- Bonds issued in connection with such project are outstanding.

During such period, the Housing Authority shall make "Payments in Lieu of Taxes" in lieu of such taxes and special assessments and in payment for the public services and facilities from time to time without other cost or charge or with respect to such project. The payment in lieu of taxes shall be lower of either ten percent (10%) of the aggregate Shelter Rent actually collected but in no event to exceed the Shelter Rent charged by the Local Authority in respect to such project during the fiscal year or the amount permitted to be paid by applicable state law.

For the fiscal year ended September 30, 2013, the Authority made payments of $3,025 "in lieu of taxes".

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF UNION POINT, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

SCHEDULE OF FUNDING PROGRESS

Measurement Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll (b-a)/c
1/1/2013	$ 772,512	$ 790,132	17,620	97.8%	683,803	2.58%
1/1/2012	719,873	760,602	40,729	94.6%	752,482	5.41%
1/1/2011	675,708	707,845	32,137	95.5%	739,893	4.34%
1/1/2010	629,304	669,714	40,410	94.0%	794,656	5.09%
10/1/2009	583,282	656,188	72,906	88.9%	794,656	9.17%
11/1/2008	595,011	598,616	3,605	99.4%	748,900	0.48%

SUPPLEMENTARY INFORMATION

CITY OF UNION POINT, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

ASSETS	SPLOST 2009	LMIG Fund	Total Nonmajor Governmental Funds
Cash and cash equivalents	$ 5,559	$ 16,808	$ 22,367
Total Assets	$ 5,559	$ 16,808	$ 22,367
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	$ 5,475	$ -	$ 5,475
Unearned revenue	-	16,808	16,808
Total Liabilities	5,475	16,808	22,283
Fund Balances:			
Restricted	84	-	84
Total fund balances	84	-	84
Total liabilities and fund balances	$ 5,559	$ 16,808	$ 22,367

CITY OF UNION POINT, GEORGIA

COMBINGING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	SPLOST 2009	LMIG Fund	Total Nonmajor Governmental Funds
REVENUES:			
Investment income	$ -	$ -	$ -
Total revenues	-	-	-
EXPENDITURES:			
Current:			
Public safety	-	-	-
Capital outlay	-	-	-
Total Expenditures	-	-	-
Net change in fund balances	-	-	-
Fund balances - beginning of year	84	-	84
Fund balances - end of year	$ 84	$ -	$ 84

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GOVERNMENTAL REPORTS

CITY OF UNION POINT, GEORGIA

SCHEDULE OF PROJECT EXPENDITURES WITH SPECIAL SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Project	Original Estimated Budget	Expenditures Prior Years	Expenditures Current Year	Total
2009 Referendum				
Fire Protection Facilities and Equipment	$ 300,000	$ 248,176	$ -	$ 248,176
Total	$ 300,000	$ 248,176	$ -	$ 248,176

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CITY OF UNION POINT, GEORGIA

BALANCE SHEET
CITY OF UNION POINT DOWNTOWN DEVELOPMENT AUTHORITY
COMPONENT UNIT
SEPTEMBER 30, 2013

ASSETS		
Cash and cash equivalents	$	16,878
Total Assets	$	16,878
LIABILITIES AND FUND BALANCE		
Liabilities:		
Due to primary government	$	1,532
Total Liabilities		1,532
Fund Balance:		
Unassigned		15,346
Total Fund Balance		15,346
Total Liabilities and Fund Balance	$	16,878

CITY OF UNION POINT, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CITY OF UNION POINT DOWNTOWN DEVELOPMENT AUTHORITY
COMPONENT UNIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Revenues:		
Donations	$	35,457
Total Revenues		35,457
Expenditures:		
Salaries		22,040
Communications		319
Advertising		3,713
Fees & Dues		520
Education & Training		418
Other Purchased Services		15,810
Supplies		184
Electricity		1,613
Total Expenditures		44,617
Net change in fund balance		(9,160)
Fund Balance, beginning of year		24,506
Fund Balance, end of year	$	15,346

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 of the
City of Union Point, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Union Point, Georgia as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Union Point, Georgia's basic financial statements, and have issued our report thereon dated March 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Union Point, 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 Union Point, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Union Point, 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 County'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not

1503 Bass Road
P.O. Box 6315 Macon, Georgia 31208-6315
Phone 478-742-3313 ■ Fax 478-742-0316

Member of
American Institute of
Certified Public Accountants
www.clhp.com

468 South Houston Lake Road
Warner Robins, Georgia 31088
Phone 478-953-0125 ■ Fax 478-953-0983

CITY OF UNION POINT, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CITY OF UNION POINT DOWNTOWN DEVELOPMENT AUTHORITY
COMPONENT UNIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Revenues:		
Donations	$	35,457
Total Revenues		35,457
Expenditures:		
Salaries		22,040
Communications		319
Advertising		3,713
Fees & Dues		520
Education & Training		418
Other Purchased Services		15,810
Supplies		184
Electricity		1,613
Total Expenditures		44,617
Net change in fund balance		(9,160)
Fund Balance, beginning of year		24,506
Fund Balance, end of year	$	15,346

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, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2013-001

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Union Point, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Union Point, Georgia's Response to Finding

City of Union Point, Georgia's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of Union Point, 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Macon, Georgia
March 31, 2014

Financial Statement Findings

Findings noted on the "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":

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

2013-001 General Ledger Maintenance

CRITERIA
Timely and accurate financial reports are essential in order to perform analysis of the financial condition of the Downtown Development Authority, review data for accuracy and completeness, monitor compliance with budget appropriations, and to prepare annual financial statements.

CONDITION
During 2013, the Authority transferred the accounting function from the City to themselves. The Authority did not properly record all accounting activity to the general ledger.

CONTEXT
Adjusting entries were needed to record the transactions of the Downtown Development Authority into the accounting system as follows:

- Material audit adjustment of $13,553 was necessary to properly report cash consisting of removing activity posted to wrong cash accounts and to record transactions not entered by the Authority.
- Audit adjustment of $1,054 was necessary to properly report intergovernmental payables consisting of recording & reversing prior year audit adjustments and recording current year activity.
- Audit adjustment of $1,739 was necessary to record prior year audit adjustments and correct fund balance.
- Material audit adjustment of $33,802 was necessary to record current year revenues.
- Material audit adjustment of $17,456 was necessary to record current year expenditures

EFFECT

The Authority produced financial reports, which contained material errors. Management was not provided with complete and accurate interim financial reports to be used to make fiscal-related decisions. A general ledger was not maintained during the year or available for review by management.

CAUSE

The Authority does not have adequate accounting procedures in place to insure the complete and correct recording of transactions.

RECOMMENDATION

The Authority should establish procedures to record all transactions of the Authority in a timely manner into the general ledger and that monthly reports be prepared and reviewed by management. We also recommend that the Authority provide the appropriate training to assist personnel in recording all of the activity within the accounting system.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City concurs with the finding. The Authority will look to employ a qualified person to perform the entity's accounting/bookkeeping functions. The Authority will establish procedures to record all transactions of the Authority in a timely manner in the general ledger. The person that the Authority employs to perform its accounting/bookkeeping functions will prepare monthly financial reports to be submitted and reviewed by management. This plan of action is to be implemented in an attempt to insure that the Authority has adequate accounting procedures in place to properly record all accounting activity to the general ledger.