

CITY OF BLAKELY, GEORGIA

FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2013**

CITY OF BLAKELY, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

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CITY OF BLAKELY, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

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FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and Members
of the City Commission
Blakely, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Blakely, Georgia (the "City")**, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Blakely, Georgia'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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blakely, Georgia as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of January 1, 2013. Our opinions are not modified with respect to this matter.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 9) and the Schedule of Funding Progress (on page 48) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blakely, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, the schedule of expenditures of special purpose local option sales tax proceeds, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, the schedule of expenditures of special purpose local option sales tax proceeds, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014, on our consideration of the City of Blakely, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Blakely, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Albany, Georgia
October 31, 2014

CITY OF BLAKELY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

Within this section of the City of Blakely, Georgia's (the City) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the year ended December 31, 2013. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities by \$13,606,781 for the fiscal year reported.

- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$7,599,012 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position restricted of \$466,080 by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$5,541,689 represents the portion available to maintain the City's continuing obligations to citizens and creditors.

- The City's governmental funds reported total ending fund balance of \$734,672 this year. This compares to the prior year ending fund balance of \$878,371 showing a decrease of \$143,699 during the current year. Unassigned fund balance of \$220,503 at December 31, 2013 shows a \$65,363 decrease over the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was \$220,503 or 5% of total general fund expenditures.

- Overall, the City continues to maintain a reasonably strong financial position in its general fund, in spite of a somewhat depressed economy.

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

Overview of the Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Statements

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

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

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

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

The government-wide financial statements are presented on pages 10-12 of this report.

Fund Financial Statements

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

The City has two kinds of funds:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives. In addition, the City presents its general fund budget to actual comparison statement as basic financial statement.

The basic governmental fund financial statements are presented on pages 10-21 of this report.

The budgetary comparison statement for the general fund is included within this section.

Individual fund information for nonmajor governmental funds is found in combining statements in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The four City proprietary funds are classified as enterprise funds. This enterprise funds essentially encompasses the same functions reported as business-type activities in the government-wide statements. These services are provided to customers external to the City.

The City's net position at fiscal year-end is \$13,606,781. The following table provides a summary of the City's net position:

	Governmental Activities		Business-type Activities		Total	
	FY2012	FY2013	FY2012	FY2013	FY2012	FY2013
Current and other assets	\$ 1,031,482	\$ 821,514	\$ 957,064	\$ 6,938,220	\$ 1,988,546	\$ 7,759,734
Capital assets	3,136,701	3,029,490	19,974,383	13,709,488	23,111,084	16,738,978
Total assets	\$ 4,168,183	\$ 3,851,004	\$ 20,931,447	\$ 20,647,708	\$ 25,099,630	\$ 24,498,712
Long-term liabilities outstanding	\$ 1,224,211	\$ 1,601,044	\$ 8,315,651	\$ 7,317,897	\$ 9,539,862	\$ 8,918,941
Other liabilities	688,690	243,594	1,749,471	1,729,396	2,438,161	1,972,990
Total liabilities	\$ 1,912,901	\$ 1,844,638	\$ 10,065,122	\$ 9,047,293	\$ 11,978,023	\$ 10,891,931
Net position:						
Net investment in capital assets	\$ 1,926,308	\$ 1,314,524	\$ 5,567,950	\$ 6,284,488	\$ 7,494,258	\$ 7,599,012
Restricted	465,704	466,080	474,043	-	939,747	466,080
Unrestricted	(136,730)	225,762	4,824,332	5,315,927	4,687,602	5,541,689
Total net position	\$ 2,255,282	\$ 2,006,366	\$ 10,866,325	\$ 11,600,415	\$ 13,121,607	\$ 13,606,781

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Governmental Activities		Business-type Activities		Total	
	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013
Revenues:						
Program revenues:						
Charges for services	\$ 440,985	\$ 591,695	\$ 11,694,240	\$ 13,137,630	\$ 12,135,225	\$ 13,729,325
Operating grants and contributions	-	154,898	-	-	-	154,898
Capital grants and contributions	514,022	1,069,388	66,046	-	580,068	1,069,388
General revenues:						
Property taxes	351,369	498,828	-	-	351,369	498,828
Sales taxes	1,162,011	748,460	-	-	1,162,011	748,460
Insurance premium tax	252,488	261,428	-	-	252,488	261,428
Other taxes	53,041	102,029	-	-	53,041	102,029
Unrestricted investment earnings	3,925	2,741	29,377	5,030	33,302	7,771
Gain on sale of capital assets	-	-	-	779	-	779
Transfers	463,236	1,501,614	(463,236)	(1,501,614)	-	-
Total revenues	<u>3,241,077</u>	<u>4,931,081</u>	<u>11,326,427</u>	<u>11,641,825</u>	<u>14,567,504</u>	<u>16,572,906</u>
Expenses:						
General government	930,927	1,205,275	-	-	930,927	1,205,275
Judicial	-	69,053	-	-	-	69,053
Public safety	2,365,980	2,178,983	-	-	2,365,980	2,178,983
Public works	524,295	1,434,170	-	-	524,295	1,434,170
Health and welfare	-	20,659	-	-	-	20,659
Recreation	-	154,739	-	-	-	154,739
Housing and community development	-	18,088	-	-	-	18,088
Interest on long-term debt	-	99,030	-	-	-	99,030
Water and sewer	-	-	1,674,431	1,518,876	1,674,431	1,518,876
Electric	-	-	892,348	7,255,331	892,348	7,255,331
Gas	-	-	6,811,288	926,924	6,811,288	926,924
Sanitation	-	-	1,269,128	1,206,604	1,269,128	1,206,604
Total expenses	<u>3,821,202</u>	<u>5,179,997</u>	<u>10,647,195</u>	<u>10,907,735</u>	<u>14,468,397</u>	<u>16,087,732</u>
Total increase (decrease) in net position	<u>(580,125)</u>	<u>(248,916)</u>	<u>679,232</u>	<u>734,090</u>	<u>99,107</u>	<u>485,174</u>
Net position, beginning of year, restated	<u>2,835,407</u>	<u>2,255,282</u>	<u>10,187,093</u>	<u>10,866,325</u>	<u>13,022,500</u>	<u>13,121,607</u>
Net position, end of year	<u>\$ 2,255,282</u>	<u>\$ 2,006,366</u>	<u>\$ 10,866,325</u>	<u>\$ 11,600,415</u>	<u>\$ 13,121,607</u>	<u>\$ 13,606,781</u>

GOVERNMENTAL REVENUES

The City is heavily reliant on both property taxes and sales taxes to support governmental operations and capital. Property taxes provided 11% of the City's total governmental revenues of fiscal year 2013 and 2012. Sales taxes are the second largest revenue source with \$748,460 of revenues or 15% of the total revenues.

Capital grants include a \$499,153 grant from the CDBG for public works. It also includes the City's share of SPLOST from Early County. There is a LMIG grant for \$48,236 for public works.

As a result, the general economy and the economic success of City businesses have a major impact on the City's revenue streams.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS-TYPE ACTIVITIES

The operating revenues for the enterprise funds were \$1,376,705 above the 2012 amount and operating expenses increased \$303,519 above the 2012 amount. Within the total business type activities of the City, these activities reported a \$2,528,714 operating income compared to an operating income of \$1,455,528 in the prior year.

Gas Fund – Gas fund operating revenues increased \$35,119. Operating expenses increased by \$34,576 above the 2012 amount. Supply costs were up \$1,197 over the fiscal year 2012. This fund transferred \$501,985 to the General fund. This transfer assists in supporting General fund administrative costs. After transfers, this fund reported a \$124,988 decrease in net position as compared to an increase of \$61,287 in fiscal year 2012. At December 31, 2013, the net position totaled \$358,719, of which \$312,842 is tied up in capital assets.

Electric Fund – Electric fund operating revenues increased \$1,185,544 above the 2012 amount. The largest portion of this increase relates to the Electric kilowatts used from 2012 to 2013. Total operating expenses, excluding the purchase of power, decreased by \$323,802 from 2012. The largest portion of the decrease in expenses came from personnel costs. The power purchased increased cost in the amount of \$767,845 due primarily to the application of trust credits to the Extended Maturity Generation and Flexible Operating Accounts. As a result of the application of trust credits the Electric fund's net position increased by \$643,957. This fund transferred \$1,268,675 to the General fund as compared to \$1,192,059 in fiscal year 2012, which is an increase of \$76,616.

Water and Sewer Fund – The Water and Sewer fund operating revenues increased \$65,996. Operating expenses decreased \$112,576. Personnel services decreased \$59,725 over fiscal year 2012. The cost of supplies increased \$571. This fund did not have a transfer to the General Fund. This fund reported a \$294,670 increase in net position as compared to a \$651,553 increase in net position for fiscal year 2012. At December 31, 2013, the net position totaled \$6,177,188, of which \$5,260,692 is tied up in capital assets.

Sanitation Fund – The Sanitation fund operating revenues increased by \$90,045. Operating expenses decreased \$62,524. The cost of supplies increased \$31,568. Operating costs decreased by \$22,179 over fiscal year 2012. This fund did not have a transfer to the general fund. The fund reported a net decrease in net position of \$79,549. The Sanitation fund continues to show a loss, however, the loss has been reduced and net operating income has been improved by \$152,588. At December 31, 2013, this fund reported \$253,611 in net position with \$328,107 tied up in capital assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council reviewed and revised the General Fund Budget on a quarterly basis to make adjustments and amendment when necessary. In 2013, revenues were under budget due to changes in State law on sales tax. Expenditures were also under budget due to being closely monitored because of the changes in revenues. The General Fund's original expenditure budget of \$4,200,637 was increased by \$173,106 for a final budget of \$4,373,743. The General Fund's actual expenditures were \$4,160,681 which was an overall decrease of \$39,956 from its original expenditure budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration

Capital Assets

At the end of FY 2013, the City's governmental activities shows \$3 million net capital assets (costs less accumulated depreciation) invested in a broad range of capital assets, including police and fire equipment, public works heavy equipment, and roads. This is a decrease of \$107,211 from the prior year. The Business-type activities has \$13.7 million net capital assets (costs less accumulated depreciation), a decrease of \$264,894. Below is summary data of capital assets. More details can be found on pages 39-40, Note 6 of the financial statements.

	Governmental Activities	Business-type Activities	Total
	2013	2013	
Land	\$ 132,719	\$ 145,698	\$ 278,417
Buildings	1,809,925	13,982	1,823,907
Machinery and equipment	205,923	338,628	544,551
Infrastructure	880,923	13,211,180	14,092,103
Total	<u>\$ 3,029,490</u>	<u>\$ 13,709,488</u>	<u>\$ 16,738,978</u>

Long-Term Debt. As of December 31, 2013, the City's long-term debt consisted of notes payable, compensated absences, general obligation bonds payable and landfill closure and postclosure care.

The City's total long-term debt for its governmental activities increased by \$10,073 and decreased for business-type activities by \$492,102 during the current fiscal year. In early 2013, the City was able to do an early payoff of a long standing GEFA note payable. As the City's cash position improves, debt will continue to be retired early.

Additional information on the City's long-term debt can be found in Note 7 on pages 38-40 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City will continue to monitor the current economic status when preparing the City's budget for 2014. The City will work toward making budget revisions on a quarterly basis to keep the Council and public better informed on the City's financial status. At the present time, the City does not foresee an increase in rates in 2014 but will continue to monitor the situation as the cost of services delivered to the City increases.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office in Blakely, Georgia at 229-723-3677, Melinda Crook.

CITY OF BLAKELY, GEORGIA

STATEMENT OF NET POSITION

DECEMBER 31, 2013

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 581,406	\$ 890,211	\$ 1,471,617
Investments	-	4,373,226	4,373,226
Taxes receivable	31,244	-	31,244
Accounts receivable, net of allowances	46,575	1,416,245	1,462,820
Due from other governments	85,470	-	85,470
Inventories	34,350	248,233	282,583
Prepaid expenses	13,739	10,305	24,044
Restricted assets:			
Cash and cash equivalents	28,730	-	28,730
Capital assets:			
Nondepreciable	132,719	145,698	278,417
Depreciable, net of accumulated depreciation	2,896,771	13,563,790	16,460,561
Total assets	3,851,004	20,647,708	24,498,712
LIABILITIES			
Accounts payable	55,109	1,021,821	1,076,930
Accrued liabilities	19,666	1,149	20,815
Customer deposits payable	-	355,662	355,662
Notes payable due within one year	79,901	-	79,901
Notes payable due in more than one year	485,065	-	485,065
Bonds payable due within one year	45,000	285,000	330,000
Bonds payable due in more than one year	1,105,000	7,140,000	8,245,000
Compensated absences due within one year	43,918	65,764	109,682
Compensated absences due in more than one year	10,979	16,441	27,420
Postclosure care liability	-	161,456	161,456
Total liabilities	1,844,638	9,047,293	10,891,931
NET POSITION			
Net investment in capital assets	1,314,524	6,284,488	7,599,012
Restricted for:			
Capital projects	396,439	-	396,439
Public safety	69,635	-	69,635
Public works	6	-	6
Unrestricted	225,762	5,315,927	5,541,689
Total net position	\$ 2,006,366	\$ 11,600,415	\$ 13,606,781

CITY OF BLAKELY, GEORGIA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,205,275	\$ 291,797	\$ -	\$ -
Judicial	69,053	-	-	-
Public safety	2,178,983	74,639	154,898	-
Public works	1,434,170	225,259	-	1,069,388
Health and welfare	20,659	-	-	-
Culture and recreation	154,739	-	-	-
Housing and development	18,088	-	-	-
Interest on long-term debt	99,030	-	-	-
Total governmental activities	5,179,997	591,695	154,898	1,069,388
Business-type activities:				
Water and sewer	1,518,876	1,643,090	-	-
Electric	7,255,331	9,140,424	-	-
Gas	926,924	1,227,080	-	-
Sanitation	1,206,604	1,127,036	-	-
Total business-type activities	10,907,735	13,137,630	-	-
Total primary government	\$ 16,087,732	\$ 13,729,325	\$ 154,898	\$ 1,069,388

General revenues:
 Property taxes
 Sales taxes
 Insurance premium tax
 Other taxes
 Unrestricted investment earnings
 Gain on sale of capital assets
 Transfers
 Total general revenues and transfers
 Change in net position
 Net position, beginning of year, as restated
 Net position, end of year

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

**Net (Expenses) Revenues and
Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (913,478)	\$ -	\$ (913,478)
(69,053)	-	(69,053)
(1,949,446)	-	(1,949,446)
(139,523)	-	(139,523)
(20,659)	-	(20,659)
(154,739)	-	(154,739)
(18,088)	-	(18,088)
(99,030)	-	(99,030)
<u>(3,364,016)</u>	<u>-</u>	<u>(3,364,016)</u>
-	124,214	124,214
-	1,885,093	1,885,093
-	300,156	300,156
-	(79,568)	(79,568)
<u>-</u>	<u>2,229,895</u>	<u>2,229,895</u>
<u>(3,364,016)</u>	<u>2,229,895</u>	<u>(1,134,121)</u>
498,828	-	498,828
748,460	-	748,460
261,428	-	261,428
102,029	-	102,029
2,741	5,030	7,771
-	779	779
<u>1,501,614</u>	<u>(1,501,614)</u>	<u>-</u>
<u>3,115,100</u>	<u>(1,495,805)</u>	<u>1,619,295</u>
<u>(248,916)</u>	<u>734,090</u>	<u>485,174</u>
<u>2,255,282</u>	<u>10,866,325</u>	<u>13,121,607</u>
<u>\$ 2,006,366</u>	<u>\$ 11,600,415</u>	<u>\$ 13,606,781</u>

CITY OF BLAKELY, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2013

ASSETS	General	Other Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	\$ 151,479	\$ 429,927	\$ 581,406
Taxes receivable, net	31,244	-	31,244
Accounts receivable	46,575	-	46,575
Due from other governments	49,317	36,153	85,470
Inventories	34,350	-	34,350
Prepaid expenditures	13,739	-	13,739
Restricted cash	28,730	-	28,730
Total assets	\$ 355,434	\$ 466,080	\$ 821,514
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 55,109	\$ -	\$ 55,109
Accrued liabilities	714	-	714
Total liabilities	55,823	-	55,823
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue - property taxes	31,019	-	31,019
Total deferred inflow of resources	31,019	-	31,019
FUND BALANCES			
Nonspendable:			
Prepaid expenditures	13,739	-	13,739
Inventories	34,350	-	34,350
Restricted for:			
Capital projects	-	396,439	396,439
Public safety	-	69,635	69,635
Public works	-	6	6
Unassigned	220,503	-	220,503
Total fund balances	268,592	466,080	734,672
Total liabilities, deferred inflow of resources, and fund balances	\$ 355,434	\$ 466,080	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,029,490
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	31,019
Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.	(1,788,815)
Net position of governmental activities	\$ 2,006,366

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

CITY OF BLAKELY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Other Governmental Funds	Totals Governmental Funds
Revenues			
Property taxes	\$ 467,809	\$ -	\$ 467,809
Sales taxes	748,460	-	748,460
Insurance premium taxes	261,428	-	261,428
Other taxes	70,754	31,275	102,029
Licenses and permits	96,389	-	96,389
Intergovernmental	154,898	1,003,020	1,157,918
Charges for services	333,335	-	333,335
Fines and forfeitures	74,639	-	74,639
Interest revenue	2,741	1,857	4,598
Other revenues	87,332	64,511	151,843
Total revenues	2,297,785	1,100,663	3,398,448
Expenditures			
Current:			
General government	1,134,743	-	1,134,743
Judicial	69,053	-	69,053
Public safety	2,088,092	141,057	2,229,149
Public works	597,497	-	597,497
Health and welfare	20,659	-	20,659
Culture and recreation	138,850	-	138,850
Housing and development	-	18,088	18,088
Capital outlay	-	1,039,735	1,039,735
Debt service:			
Principal	46,051	46,904	92,955
Interest	65,736	14,342	80,078
Total expenditures	4,160,681	1,260,126	5,420,807
Deficiency of revenues under expenditures	(1,862,896)	(159,463)	(2,022,359)
Other financing sources (uses)			
Transfers in	1,794,506	48,395	1,842,901
Transfers out	(48,395)	(23,846)	(72,241)
Intergovernmental loan proceeds	-	108,000	108,000
Total other financing sources (uses)	1,746,111	132,549	1,878,660
Net change in fund balances	(116,785)	(26,914)	(143,699)
Fund balances, beginning of year, as restated	385,377	492,994	878,371
Fund balances, end of year	\$ 268,592	\$ 466,080	\$ 734,672

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

CITY OF BLAKELY, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (143,699)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	161,835
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfers and donations) is to decrease net assets.	(269,046)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	31,019
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net of note proceeds and principal payments on notes payable and bonds payable.	(15,045)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(13,980)</u>
Net change in net position - governmental activities	<u>\$ (248,916)</u>

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

CITY OF BLAKELY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 355,000	\$ 469,500	\$ 467,809	\$ (1,691)
Sales taxes	895,000	944,500	748,460	(196,040)
Insurance premium taxes	250,000	261,000	261,428	428
Other taxes	50,000	67,850	70,754	2,904
Licenses and permits	80,000	84,000	96,389	12,389
Intergovernmental	85,000	155,023	154,898	(125)
Charges for services	240,900	296,990	333,335	36,345
Fines and forfeitures	62,000	72,000	74,639	2,639
Interest revenue	4,000	4,000	2,741	(1,259)
Other revenues	69,500	85,600	87,332	1,732
Total revenues	2,091,400	2,440,463	2,297,785	(142,678)
Expenditures:				
Current:				
General government:				
Elections	15,000	13,300	13,200	100
Financial administration	1,102,150	1,204,297	1,121,543	82,754
Total general government	1,117,150	1,217,597	1,134,743	82,854
Judicial:				
Municipal court	65,000	69,053	69,053	-
Total judicial	65,000	69,053	69,053	-
Public safety:				
Police	1,250,000	1,256,000	1,187,927	68,073
Fire	903,726	910,102	831,837	78,265
Animal control	55,000	70,000	68,328	1,672
Total public safety	2,208,726	2,236,102	2,088,092	148,010
Public works:				
Shop	169,491	169,491	145,494	23,997
Streets	400,850	484,680	429,598	55,082
Cemetery	49,370	31,070	22,405	8,665
Total public works	619,711	685,241	597,497	87,744
Health and welfare				
	49,300	24,300	20,659	3,641
Culture and recreation:				
Recreation	105,000	105,000	103,269	1,731
Library	35,000	35,700	35,581	119
Total culture and recreation	140,000	140,700	138,850	1,850

(Continued)

CITY OF BLAKELY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures: (Continued)				
Debt service:				
Principal	\$ -	\$ -	\$ 46,051	\$ (46,051)
Interest	750	750	65,736	(64,986)
Total debt service	750	750	111,787	(111,037)
Total expenditures	4,200,637	4,373,743	4,160,681	213,062
Deficiency of revenues under expenditures	(2,109,237)	(1,933,280)	(1,862,896)	70,384
Other financing sources (uses)				
Transfers in	2,107,237	1,931,280	1,794,506	(136,774)
Transfers out	-	-	(48,395)	(48,395)
Proceeds from the sale of capital assets	2,000	2,000	-	(2,000)
Total other financing sources (uses)	2,109,237	1,933,280	1,746,111	(187,169)
Net change in fund balances	-	-	(116,785)	(116,785)
Fund balances, beginning of year, as restated	385,377	385,377	385,377	-
Fund balances, end of year	\$ 385,377	\$ 385,377	\$ 268,592	\$ (116,785)

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

CITY OF BLAKELY, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS

DECEMBER 31, 2013

	Water and Sewer Fund	Electric Fund	Natural Gas Fund	Sanitation Fund	Totals
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 890,211	\$ -	\$ -	\$ -	\$ 890,211
Investments	-	4,373,226	-	-	4,373,226
Accounts receivable	155,560	893,818	213,342	153,525	1,416,245
Inventories	6,948	230,199	9,023	2,063	248,233
Prepaid expenses	3,053	2,672	1,145	3,435	10,305
Total current assets	1,055,772	5,499,915	223,510	159,023	6,938,220
NONCURRENT ASSETS					
Capital assets:					
Nondepreciable	2,500	2,000	-	141,198	145,698
Depreciable, net of accumulated depreciation	12,683,192	380,847	312,842	186,909	13,563,790
Total noncurrent assets	12,685,692	382,847	312,842	328,107	13,709,488
Total assets	13,741,464	5,882,762	536,352	487,130	20,647,708
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	25,209	832,824	114,369	49,419	1,021,821
Accrued liabilities	130	337	265	417	1,149
Customer deposits payable	91,933	215,211	48,518	-	355,662
Compensated absences, current portion	17,603	18,794	11,585	17,782	65,764
Bonds payable, current portion	285,000	-	-	-	285,000
Total current liabilities	419,875	1,067,166	174,737	67,618	1,729,396
NONCURRENT LIABILITIES					
Compensated absences, net of current portion	4,401	4,699	2,896	4,445	16,441
Bonds payable, net of current portion	7,140,000	-	-	-	7,140,000
Postclosure care liability	-	-	-	161,456	161,456
Total long-term liabilities	7,144,401	4,699	2,896	165,901	7,317,897
Total liabilities	7,564,276	1,071,865	177,633	233,519	9,047,293
NET POSITION					
Net investment in capital assets	5,260,692	382,847	312,842	328,107	6,284,488
Unrestricted (deficit)	916,496	4,428,050	45,877	(74,496)	5,315,927
Total net position	\$ 6,177,188	\$ 4,810,897	\$ 358,719	\$ 253,611	\$ 11,600,415

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

CITY OF BLAKELY, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013

	Water and Sewer Fund	Electric Fund	Natural Gas Fund	Sanitation Fund	Totals
OPERATING REVENUES					
Charges for services	\$ 1,605,850	\$ 9,109,452	\$ 1,222,407	\$ 1,113,680	\$ 13,051,389
Other services	37,240	30,972	4,673	13,356	86,241
Total operating revenues	<u>1,643,090</u>	<u>9,140,424</u>	<u>1,227,080</u>	<u>1,127,036</u>	<u>13,137,630</u>
OPERATING EXPENSES					
Personal services	390,332	457,369	165,687	486,646	1,500,034
Costs of operations	90,827	6,582,573	721,025	440,594	7,835,019
Supplies	209,205	164,582	31,915	174,357	580,059
Depreciation	529,693	50,807	8,297	105,007	693,804
Total operating expenses	<u>1,220,057</u>	<u>7,255,331</u>	<u>926,924</u>	<u>1,206,604</u>	<u>10,608,916</u>
Operating income (loss)	<u>423,033</u>	<u>1,885,093</u>	<u>300,156</u>	<u>(79,568)</u>	<u>2,528,714</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	4,379	359	273	19	5,030
Interest expense	(298,819)	-	-	-	(298,819)
Gain on disposal of capital assets	-	779	-	-	779
Total nonoperating revenues (expenses)	<u>(294,440)</u>	<u>1,138</u>	<u>273</u>	<u>19</u>	<u>(293,010)</u>
Income (loss) before contributions and transfers	<u>128,593</u>	<u>1,886,231</u>	<u>300,429</u>	<u>(79,549)</u>	<u>2,235,704</u>
CAPITAL CONTRIBUTIONS	<u>166,077</u>	<u>26,401</u>	<u>76,568</u>	<u>-</u>	<u>269,046</u>
TRANSFERS					
Transfers out	-	(1,268,675)	(501,985)	-	(1,770,660)
Total transfers	<u>-</u>	<u>(1,268,675)</u>	<u>(501,985)</u>	<u>-</u>	<u>(1,770,660)</u>
Change in net position	294,670	643,957	(124,988)	(79,549)	734,090
NET POSITION, beginning of year, as restated	<u>5,882,518</u>	<u>4,166,940</u>	<u>483,707</u>	<u>333,160</u>	<u>10,866,325</u>
NET POSITION, end of year	<u>\$ 6,177,188</u>	<u>\$ 4,810,897</u>	<u>\$ 358,719</u>	<u>\$ 253,611</u>	<u>\$ 11,600,415</u>

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

CITY OF BLAKELY, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Water and Sewer Fund	Electric Fund	Gas Fund	Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,683,513	\$ 9,461,825	\$ 1,295,464	\$ 1,090,216	\$ 13,531,018
Payments to suppliers	(289,906)	(6,513,513)	(750,509)	(618,378)	(8,172,306)
Payments to employees	(383,657)	(465,416)	(162,783)	(487,434)	(1,499,290)
Net cash provided by (used in) operating activities	1,009,950	2,482,896	382,172	(15,596)	3,859,422
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out	-	(1,268,675)	(501,985)	-	(1,770,660)
Net cash used in noncapital financing activities	-	(1,268,675)	(501,985)	-	(1,770,660)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	-	779	-	-	779
Acquisition and construction of capital assets	-	(169,864)	-	-	(169,864)
Principal paid on bonds	(215,000)	-	-	-	(215,000)
Principal paid on notes payable	(276,904)	-	-	-	(276,904)
Interest paid	(298,819)	-	-	-	(298,819)
Net cash used in capital and related financing activities	(790,723)	(169,085)	-	-	(959,808)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	-	(1,045,495)	-	-	(1,045,495)
Proceeds from the sale of investments	-	-	-	-	-
Interest received	4,379	359	273	19	5,030
Net cash provided by (used in) investing activities	4,379	(1,045,136)	273	19	(1,040,465)
Change in cash and cash equivalents	223,606	-	(119,540)	(15,577)	88,489
Cash and cash equivalents:					
Beginning of year, as restated	666,605	-	119,540	15,577	801,722
End of year	\$ 890,211	\$ -	\$ -	\$ -	\$ 890,211
Classified as:					
Cash and cash equivalents	\$ 890,211	\$ -	\$ -	\$ -	\$ 890,211

(Continued)

CITY OF BLAKELY, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Water and Sewer Fund	Electric Fund	Gas Fund	Sanitation Fund	Totals
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 423,033	\$ 1,885,093	\$ 300,156	\$ (79,568)	\$ 2,528,714
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	529,693	50,807	8,297	105,007	693,804
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	33,763	323,157	68,439	(36,820)	388,539
(Increase) decrease in inventories	(1,342)	50,700	1,217	-	50,575
Increase in prepaid expenses	(3,053)	(2,672)	(1,145)	(3,435)	(10,305)
Increase in accounts payable	14,521	185,614	2,359	15,597	218,091
Increase in accrued liabilities	130	337	265	417	1,149
Increase (decrease) in customer deposits	6,660	(1,756)	(55)	-	4,849
Increase (decrease) in compensated absences	6,545	(8,384)	2,639	(1,205)	(405)
Decrease in landfill postclosure cost	-	-	-	(15,589)	(15,589)
Net cash provided by (used in) operating activities	\$ 1,009,950	\$ 2,482,896	\$ 382,172	\$ (15,596)	\$ 3,859,422
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Capital asset additions contributed from other funds	\$ 166,077	\$ 26,401	\$ 76,568	\$ -	\$ 269,046

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

CITY OF BLAKELY, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Blakely, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities, the City has adopted GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting". The more significant of the City's accounting policies are described below.

A. The Financial Reporting Entity

The City was incorporated in 1870 and operates under a Board – Mayor form of government. The Mayor is the head of the administrative branch of government. As such, he is responsible for the day-to-day operations of city government. The legislative authority of the City is vested in the Mayor and four (4) Council members with an appointed City Manager. The City provides the following services and operations as authorized by its charter: public safety (police and fire); public works; recreation; health and welfare; general administrative services; and public utilities (water, sewer, electric, gas, and sanitation). As required by generally accepted accounting principles, the financial statements of the reporting entity include the accounts of all City operations and all activities of the City.

Based on criteria set forth by Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity" as amended by GASB 39 "Determining Whether Certain Organizations are Component Units", and GASB 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34" the City was determined to have no component units as of December 31, 2013.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Property taxes, sales taxes, franchise taxes, licenses and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

The **Water and Sewer fund** accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The **Electric fund** accounts for the provision of electrical services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The **Gas fund** accounts for the provision of gas services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The **Sanitation fund** accounts for the provision of sanitation services to the residents. All activities necessary to provide such services are accounted for in this fund.

Additionally, the City reports the following fund types:

The **special revenue funds** account for revenue sources that are legally restricted, committed, or assigned for expenditures of specific purposes.

The **capital projects fund** is used to account for the acquisition or construction of capital facilities.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function, gas, electric function, sanitation, and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services provided. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.

Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Investments

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

Statutes authorize the City to invest in obligations of the United States and of its agencies and instrumentalities, bonds of the State of Georgia and its agencies, instrumentalities and political subdivisions, certificates of deposit of national or state banks that are fully insured or collateralized by United States obligations, repurchase agreements and Georgia Fund 1, the Local Government Investment Pool.

Cash deposits are reported at carrying amount, which reasonably estimates fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Inventory and Prepaid Items

Inventory is valued at the lower of cost or market. The City accounts for inventory on the purchase basis. Prepaid expenses/expenditures are accounted for using the consumption method. A prepaid expense/expenditure is recognized when a cash expense/expenditure is made for goods or services that were purchased for consumption, but not consumed as of December 31.

F. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” in the fund financial statements. Short-term interfund loans are classified as “interfund receivables/payables”. Long-term interfund loans are classified as advances.

G. Grants from Other Governments

Federal and state governmental units represent an important source of supplementary funding used to finance housing, business development employment, construction programs, capital asset additions and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded in both governmental and proprietary funds. Grant contributions in the proprietary funds, which are for the purpose of construction activities, land easement, or capital asset acquisitions, are recorded as capital contributions within the statement of revenues and expenses. For all funds, a grant receivable is recorded when the City has a right to receive the related grant amounts.

H. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets, not including infrastructure, with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Infrastructure assets capitalized have an original cost of \$250,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of its donation.

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the fiscal year ended December 31, 2013, no interest was capitalized.

Depreciation is provided on the straight-line method over the following estimated useful lives:

Buildings and improvements	20-50 years
Infrastructure	20-50 years
Machinery and equipment	3 - 15 years

I. Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year the debt is issued.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when the employees separate from service with the City. Therefore, all sick pay is expensed when incurred. The City does allow for employees to accumulate earned but unused vacation time with such time being fully vested when earned. For the City's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Deferred Outflows / Inflows of Resources

The City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of January 1, 2013. This new standard establishes accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net 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 fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. *Unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and other receivables, and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity

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

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

- **Nonspendable** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.
- **Assigned** - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's Manager to assign fund balances.
- **Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

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

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$1,788,815 difference are as follows:

Notes payable	\$ (564,966)
Bonds payable	(1,150,000)
Compensated absences	(54,897)
Accrued interest payable	(18,952)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ (1,788,815)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$161,835 difference are as follows:

Capital outlay	\$ 421,035
Depreciation expense	(259,200)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 161,835</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities (Continued)

Another element of that reconciliation states that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this \$15,045 difference are as follows:

Debt issued - notes payable	\$ (108,000)
Principal payments - notes payable	92,955
Net adjustment to decrease <i>net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ (15,045)</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds." The details of this \$13,980 difference are as follows:

Compensated absences	\$ 4,972
Accrued interest	<u>(18,952)</u>
Net adjustment to decrease <i>net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ (13,980)</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Accounting

The City followed these procedures in establishing the budgetary data reflected in the financial statements for the fiscal year ended December 31, 2013:

1. The City Council prepares a proposed operating budget for the year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the City offices to obtain taxpayer comments.
3. After the public hearing, the City Council formally adopts the budget.
4. The budget is employed as a management control device during the year.
5. Formal budgetary integration is employed as a management control device during the year for all the governmental funds and the enterprise funds. Budgets for the enterprise funds are prepared for planning and control purposes only.
6. Budgets for the governmental funds and the enterprise funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Budget amounts are as originally adopted or as amended by the City Council.

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the City.

C. Excess of Expenditures Over Appropriations

For the fiscal year ended December 31, 2013, the following departments had excesses of actual expenditures over appropriations, which were funded by available fund balance:

	<u>Excess</u>
General Fund	
Debt service	\$ 111,037

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

At December 31, 2013, the Commission had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Municipal Competitive Trust - Short Term	N/A	<u>\$ 4,373,226</u>

Interest rate risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk – deposits. The City does not have a formal custodial credit risk policy. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2013, the City had no uncollateralized deposits as defined by GASB pronouncements.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Receivables as of December 31, 2013, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer	Electric
Receivables:			
Taxes	\$ 42,890	\$ -	\$ -
Accounts	46,575	233,794	1,151,917
Gross receivables	89,465	233,794	1,151,917
Less: allowance for uncollectibles	(11,646)	(78,234)	(258,099)
Net total receivables	\$ 77,819	\$ 155,560	\$ 893,818
	Natural Gas	Sanitation	Total
Receivables:			
Taxes	\$ -	\$ -	\$ 42,890
Accounts	252,385	173,123	1,857,794
Gross receivables	252,385	173,123	1,900,684
Less: allowance for uncollectibles	(39,043)	(19,598)	(406,620)
Net total receivables	\$ 213,342	\$ 153,525	\$ 1,494,064

Property taxes. Property taxes were levied by the City on August 21, 2013 (Levy Date) based upon property values assessed as of January 1. The billings were mailed on October 20, 2013 and payable on or before December 20, 2013. The net receivables collected during the year ended December 31, 2013, and collected by February 28, 2014, are recognized as revenues in the year ended December 31, 2013. Net receivables estimated to be collected subsequent to February 28, 2014 are recorded as revenue when received. Taxes not paid by January 1 are subject to property tax liens. Property tax revenues are recognized when levied to the extent they result in current receivables.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 132,719	\$ -	\$ -	\$ -	\$ 132,719
Total capital assets, not being depreciated	<u>132,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,719</u>
Capital assets, being depreciated:					
Buildings	2,151,230	-	-	103,552	2,254,782
Machinery and equipment	3,756,166	121,894	-	(913,080)	2,964,980
Infrastructure	<u>1,820,263</u>	<u>299,141</u>	<u>-</u>	<u>540,482</u>	<u>2,659,886</u>
Total capital assets, being depreciated	<u>7,727,659</u>	<u>421,035</u>	<u>-</u>	<u>(269,046)</u>	<u>7,879,648</u>
Less accumulated depreciation for:					
Buildings	-	(53,998)	-	(390,859)	(444,857)
Machinery and equipment	(4,263,114)	(88,962)	-	1,593,019	(2,759,057)
Infrastructure	<u>(460,563)</u>	<u>(116,240)</u>	<u>-</u>	<u>(1,202,160)</u>	<u>(1,778,963)</u>
Total accumulated depreciation	<u>(4,723,677)</u>	<u>(259,200)</u>	<u>-</u>	<u>-</u>	<u>(4,982,877)</u>
Total capital assets, being depreciated, net	<u>3,003,982</u>	<u>161,835</u>	<u>-</u>	<u>(269,046)</u>	<u>2,896,771</u>
Governmental activities capital assets, net	<u>\$ 3,136,701</u>	<u>\$ 161,835</u>	<u>\$ -</u>	<u>\$ (269,046)</u>	<u>\$ 3,029,490</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 145,698	\$ -	\$ -	\$ -	\$ 145,698
Construction in progress	76,046	-	(10,000)	(66,046)	-
Total capital assets, not being depreciated	<u>221,744</u>	<u>-</u>	<u>(10,000)</u>	<u>(66,046)</u>	<u>145,698</u>
Capital assets, being depreciated:					
Buildings	-	-	-	46,653	46,653
Machinery and equipment	-	-	-	3,494,046	3,494,046
Infrastructure	24,510,854	169,864	-	(3,205,607)	21,475,111
Total capital assets, being depreciated	<u>24,510,854</u>	<u>169,864</u>	<u>-</u>	<u>335,092</u>	<u>25,015,810</u>
Less accumulated depreciation for:					
Buildings	-	(3,623)	-	(29,048)	(32,671)
Machinery and equipment	-	(155,033)	-	(3,000,385)	(3,155,418)
Infrastructure	(10,758,216)	(535,148)	-	3,029,433	(8,263,931)
Total accumulated depreciation	<u>(10,758,216)</u>	<u>(693,804)</u>	<u>-</u>	<u>-</u>	<u>(11,452,020)</u>
Total capital assets, being depreciated, net	<u>13,752,638</u>	<u>(523,940)</u>	<u>-</u>	<u>335,092</u>	<u>13,563,790</u>
Business-type activities capital assets, net	<u>\$ 13,974,382</u>	<u>\$ (523,940)</u>	<u>\$ (10,000)</u>	<u>\$ 269,046</u>	<u>\$ 13,709,488</u>

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

Governmental activities:	
General government	\$ 70,939
Public safety	13,452
Public works	158,787
Recreation	16,022
Total depreciation expense - governmental activities	<u>\$ 259,200</u>
Business - type activities	
Water and sewer	\$ 529,693
Electric	50,807
Natural gas	8,297
Sanitation	105,007
Total depreciation expense - business - type activities	<u>\$ 693,804</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the fiscal year ended December 31, 2013:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Governmental activities:					
Notes payable	\$ 514,921	\$ 108,000	\$ (57,955)	\$ 564,966	\$ 79,901
Bonds payable	1,185,000	-	(35,000)	1,150,000	45,000
Compensated absences	59,869	128,377	(133,349)	54,897	43,918
Governmental activity long-term liabilities	<u>\$ 1,759,790</u>	<u>\$ 236,377</u>	<u>\$ (226,304)</u>	<u>\$ 1,769,863</u>	<u>\$ 168,819</u>
Business-type activities:					
Notes payable	\$ 276,904	\$ -	\$ (276,904)	\$ -	\$ -
Bonds payable	7,640,000	-	(215,000)	7,425,000	285,000
Compensated absences	82,610	222,158	(222,563)	82,205	65,764
Postclosure care cost	177,045	-	(15,589)	161,456	-
Business-type activity long-term liabilities	<u>\$ 8,176,559</u>	<u>\$ 222,158</u>	<u>\$ (730,056)</u>	<u>\$ 7,668,661</u>	<u>\$ 350,764</u>

The beginning balance for governmental activities has increased and the beginning balance for business-type activities has decreased \$489,528 to properly account for notes payable. For governmental activities compensated absences are general liquidated by the General Fund. For business-type activities, compensated absences are liquidated by the related Proprietary Fund.

Governmental Activities Debt

Notes Payable

The City has incurred debt to a financial institution and the United States Department of Agriculture for the purchase of equipment. Also the City has incurred debt to the Georgia Environmental Facilities Authority (GEFA) for sewer improvements. These notes are as follows at December 31, 2013:

<u>Purpose</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Balance at December 31, 2013</u>
Equipment	\$ 33,433	3.34%	2015	\$ 14,342
Equipment	98,500	3.07%	2014	20,285
Sewer improvements	486,750	3.00%	2026	422,339
Equipment	108,000	3.50%	2018	108,000
				<u>564,966</u>
			Less current maturities	<u>(79,901)</u>
				<u>\$ 485,065</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Governmental Activities Debt (Continued)

Notes Payable (Continued)

The notes payable debt service requirements to maturity, including interest are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 96,896	\$ 79,901	\$ 16,995
2015	67,189	52,665	14,524
2016	64,257	51,358	12,899
2017	64,257	53,019	11,238
2018	64,257	54,732	9,525
2019 - 2023	201,685	173,136	28,549
2024 - 2026	104,203	100,155	4,048
	<u>\$ 662,744</u>	<u>\$ 564,966</u>	<u>\$ 97,778</u>

General Obligation Bonds

On September 22, 2008, the City of Blakely, Georgia issued \$1,235,000 of General Obligation Bonds Series 2008B (City Hall Project) with an annual interest rate of 5.490%. The proceeds were used to renovate City Hall, and to pay the costs of issuing the bonds and capitalized interest on the bonds. The Bonds are direct general obligations of the City and are payable from the levy of an ad valorem tax, without limitations as to rate or amount, levied on all taxable property including all real property, within the City subject to taxation for general obligation bond purposes.

Annual debt service requirement to maturity for the Series 2008B general obligation bonds are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 108,135	\$ 45,000	\$ 63,135
2015	105,664	45,000	60,664
2016	108,194	50,000	58,194
2017	115,449	60,000	55,449
2018	117,155	65,000	52,155
2019 - 2023	587,579	385,000	202,579
2024 - 2028	585,094	500,000	85,094
	<u>\$ 1,727,270</u>	<u>\$ 1,150,000</u>	<u>\$ 577,270</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Business-type Activities Debt

General Obligation Bonds

On January 1, 2009, the City of Blakely, Georgia issued \$7,965,000 of General Obligation Bonds (Sewer Project), Series 2009A with annual interest rates ranging from 2.0% to 4.35%. The proceeds were used to expand the Plant Street Facility capacity from 1.312 Million Gallons per Day (MGD) to 2.0 MGD, replacing the current operations building, and upgrading other operating systems and equipment. The Bonds are direct general obligations to the City and are payable from the levy of an ad valorem tax, without limitation as to rate or amount, levied on all taxable property including all real property, within the City subject to taxation for general obligation bond purposes.

Annual debt service requirement to maturity for the Series 2009A general obligation bonds are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 575,501	\$ 285,000	\$ 290,501
2015	588,020	305,000	283,020
2016	594,480	320,000	274,480
2017	635,280	370,000	265,280
2018	680,480	430,000	250,480
2019 - 2023	3,493,534	2,510,000	983,534
2024 - 2028	3,630,197	3,205,000	425,197
	<u>\$ 10,197,492</u>	<u>\$ 7,425,000</u>	<u>\$ 2,772,492</u>

Postclosure Care Cost

The City of Blakely, Georgia closed its landfill on April 8, 1994. State and federal laws require the City perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. The \$161,456 reported as postclosure care cost at December 31, 2013 represents the estimated total amount necessary to perform all future postclosure functions. The amount reported is based on what it would cost to perform all postclosure care in 2013. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Blakely Retirement Plan, provides retirement, disability, and death benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the City's noncontributory defined benefit pension plan after completion of one year of service. Benefits vest after five years of service, and participants become eligible to retire at age 65 with 5 years of participation in the plan.

The City of Blakely is a participating member of the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Board of Trustees of the System. The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to:

Georgia Municipal Association
The Burgess Building
201 Pryor Street, SW
Atlanta, GA 30303-3606
Telephone: (404) 688-0472

As of July 1, 2013, the date of the most recent actuarial valuation, there were 161 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	53
Vested terminated employees not yet receiving benefits	43
Active employees	65
Total	<u>161</u>

Funding Policy

The City is required to contribute an actuarially determined amount monthly to the Plan's trust. The contribution amount is determined using the actuarial methods and assumption approved by the Board of Trustees, and must satisfy the minimum contribution requirements as set forth in the State of Georgia statutes. Plan participants do not contribute to the plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLAN (CONTINUED)

Annual Pension Contribution

The City's annual pension contribution for the last three years is as follows:

Fiscal Year Ended	Actuarially Required Contribution (ARC)	Actual Pension Contribution	Percentage of ARC Contributed	Net Pension (Obligation) Asset
12/31/2011	\$ 296,017	\$ 296,017	100.0 %	\$ -
12/31/2012	331,481	331,481	100.0	-
12/31/2013	317,462	317,462	100.0	-

Plan Funded Status

As of the most recent valuation date, July 1, 2013, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded / Surplus AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	\$ 5,001,653	\$ 6,125,955	\$ 1,124,302	81.65 %	\$ 2,382,583	47.19 %

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net position is increasing or decreasing over time relative to the actuarial accrued liability. 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 long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2013.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLAN (CONTINUED)

Actuarial Valuation Information

The City's actuarial valuation information is as follows:

Basis of Valuation

Current Valuation Date	July 1, 2013
Actuarial Funding Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years.
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.

Actuarial Assumptions:

Annual Return on Invested Plan Assets	7.75%
Expected Annual Inflation	0.00%
Projected Annual Salary Increases	3.50% plus age and service based merit increases

NOTE 9. INTERFUND TRANSFERS

The composition of interfund transfers as of December 31, 2013, is as follows:

Transfers In	Transfers Out				Total
	General Fund	Nonmajor Governmental Funds	Electric Fund	Gas Fund	
General Fund	\$ -	\$ 23,846	\$ 1,268,675	\$ 501,985	\$ 1,794,506
Nonmajor Governmental Funds	48,395	-	-	-	48,395
Total	\$ 48,395	\$ 23,846	\$ 1,268,675	\$ 501,985	\$ 1,842,901

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED CONTRIBUTION PLAN

The City participates in the ACCG 457 Deferred Compensation Plan for the City of Blakely (the Plan), a defined contribution plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Government Employee Benefits Corporation of Georgia (GEBCorp). The Plan is available to all full-time City employees, and permits them to defer a portion of their salary until future years. During 2013, the City contributed \$10 per weekly pay period for each employee that participated in the plan and deferred at least \$10 per week. Distributions from the Plan are not available to employees until termination, retirement, death, disability or unforeseeable emergency. Plan assets are held in trust for the benefit of the plan participants and their beneficiaries, and will not be diverted to any other purpose.

Participation in the Plan was approved by resolution of the City Council. Plan provisions are established and may be amended by GEBCorp.

For the year ended December 31, 2013, actual contributions by the City and Plan participants were \$22,470 and \$38,569 respectively.

NOTE 11. RELATED ORGANIZATION

The City's governing body is responsible for appointing the one or more members of the Board of Directors for the Housing Authority of the City of Blakely, Georgia. The City has no further accountability for these organizations.

NOTE 12. JOINT VENTURES

Southwest Georgia Regional Commission

Under Georgia law, the City, in conjunction with other cities and counties in the south Georgia area, is a member of the Southwest Georgia Regional Commission (RC) and is required to pay annual dues thereto. During its fiscal year ended December 31, 2013, the City paid \$5,265 in such dues. 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: Southwest Georgia Regional Commission, 30 West Broad Street, Camilla, Georgia 31730.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. HOTEL/MOTEL LODGING TAX

The City has imposed a 5% hotel/motel tax on lodging facilities within the County. Revenues collected during the fiscal year ended December 31, 2013, were \$31,275. Of this amount, \$18,088, or 58% of the amount collected was paid to the Court Square Development Authority to promote tourism within the City of Blakely, Georgia.

NOTE 14. COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in a number of legal matters, which either have or could result in litigation. The nature of the lawsuits varies considerably. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Grant Contingencies

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, City management believes such disallowances, if any, will not be significant.

Agreements with the Municipal Electric Authority of Georgia

The Municipal Electric Authority of Georgia (MEAG) is a public corporation and an instrumentality of the State of Georgia created to supply electricity to local government electric distribution systems. As provided by state law, MEAG establishes rates and charges so as to produce revenues sufficient to cover its costs, including debt service, but it may not operate any of its projects for profit unless any such profits inure to the benefit of the public.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Agreements with the Municipal Electric Authority of Georgia (Continued)

As of December 31, 2013, the City is an electric utility participant in MEAG and obligated to purchase all of its bulk power supply requirements from MEAG for a period not to exceed 50 years. The City has agreed to purchase all of its future power and energy requirements in excess of that received by the City through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by the MEAG. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each participating City has guaranteed a portion of the unpaid debt based on their individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations. Payments to MEAG are made monthly based on KWH usage. The total payments under these contracts amounted to \$6,010,416 in 2013.

At December 31, 2013, the outstanding debt of MEAG was approximately \$6.0 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately \$49.5 million at December 31, 2013.

NOTE 15. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. All major risks are covered by commercial insurance. There were no significant reductions in insurance coverage from prior year, and there have been no settlements that exceed the City's insurance coverage during the past three years.

NOTE 16. PRIOR PERIOD ADJUSTMENTS/RESTATEMENTS

The City has determined that a restatement of beginning net position of governmental activities is required to reflect corrections in the December 31, 2012 financial report. These restatements are as follows:

Governmental activities net position, as previously reported	\$ 2,692,801
Adjustment needed to record notes payable	(489,528)
Adjustment needed to properly implement GASB 65	(13,151)
Individual fund level prior period adjustment discussed below	65,160
Governmental activities net position, as restated	<u><u>\$ 2,255,282</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 16. PRIOR PERIOD ADJUSTMENTS/RESTATEMENTS (CONTINUED)

The City has determined that a restatement of General Fund assets and fund balance is required to record amounts due from other governments in the correct period. The restatement within the General Fund resulted in an increase to fund balance of \$65,160.

The City has determined that a restatement of beginning net position of business-type activities is required to reflect corrections in the December 31, 2012 financial report. These restatements are as follows:

Business-type activities net position, as previously reported	\$ 11,100,816
Individual fund level prior period adjustments discussed below	39,968
Adjustment needed to properly implement GASB 65.	(274,459)
Business-type activities net position, as restated	<u>\$ 10,866,325</u>

The City has determined that a restatement of Water and Sewer Fund assets and net position is required to record debt in the proper Fund. The restatement within the Water and Sewer Fund resulted in a decrease to the fund's allocation of pooled cash in the amount of \$449,560, decrease in notes payable in the amount of \$469,544, and decrease in net position in the amount of \$19,984. Additionally, the City has determined that a restatement of Natural Gas Fund assets and net position is required to record debt in the proper fund. The restatement within the Natural Gas Fund resulted in a decrease in notes payable in the amount of \$19,984 and increase in net position in the same amount.

To further explain the above restatements, the following thoughts are provided:

Adjustment of Bond Issuance Cost. The City noted that bond issuance cost should be expensed in the period incurred in accordance with GASB Statement No. No. 65, *Items Previously Reported as Assets and Liabilities*. The City determined that an adjustment of \$13,151 was necessary to appropriately reflect the assets and net position of the governmental activities as of December 31, 2012. Additionally, the City determined that an adjustment of \$274,459 was necessary to appropriately reflect the assets and net position of the Water and Sewer Fund as of December 31, 2012.

Adjustment of Notes Payable. The City noted an error related to the reporting of notes payable in the governmental activities. The City previously reported notes payable in the Water and Sewer Fund with the debt being serviced by governmental funds. This error resulted in an understatement of liabilities and over statement of net position in the government-wide governmental activities and an overstatement of cash and liabilities in the Water and Sewer Fund. The restatement properly increases liabilities and decreases net position in the governmental activities by \$489,528 at December 31, 2012. Additionally, the restatement properly decreases cash and liabilities in the business-type activities by \$489,528 at December 31, 2012.

CITY OF BLAKELY, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

City of Blakely's Employee's Retirement Plan						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	\$ 4,765,030	\$ 4,431,727	\$ (333,303)	107.5 %	\$ 2,263,657	- %
7/1/2009	3,374,773	4,651,571	1,276,798	72.6	2,420,588	52.7
7/1/2010	4,352,992	5,128,916	775,924	84.9	2,422,031	32.0
7/1/2011	4,548,338	5,542,325	993,987	82.1	2,372,901	41.9
7/1/2012	4,752,815	5,967,154	1,214,339	79.6	2,687,152	45.2
7/1/2013	5,001,653	6,125,955	1,124,302	81.6	2,382,583	47.2

The assumptions used in the preparation of the above schedule are disclosed in Note 8 to the financial statements.

CITY OF BLAKELY, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The **Grant Fund** accounts for grant revenues and expenditures related to various short lived projects.

The **Hotel/Motel Fund** is used to account for funds collected from the hotel/motel tax and disbursed to other agencies for the promotion of tourism.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition or construction of capital facilities.

The **CDBG Fund** is used to account for activities related to the improvements of the water system.

The **SPLOST Fund** accounts for the proceeds of a 1% Special Purpose Local Option Sales Tax. Funds are used for: theatre renovation; garbage trucks; a fire truck; water treatment system; landfill projects; equipment; and street projects within the City of Blakely.

CITY OF BLAKELY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2013

ASSETS	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		<u>Totals</u>
	<u>Grant Fund</u>	<u>Hotel/Motel Fund</u>	<u>CDBG Fund</u>	<u>SPLOST Fund</u>	
Cash and cash equivalents	\$ 69,635	\$ -	\$ 6	\$ 360,286	\$ 429,927
Due from other governments	-	-	-	36,153	36,153
Total assets	<u>\$ 69,635</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 396,439</u>	<u>\$ 466,080</u>
FUND BALANCES					
Restricted for:					
Capital projects	\$ -	\$ -	\$ -	\$ 396,439	\$ 396,439
Public safety	69,635	-	-	-	69,635
Public works	-	-	6	-	6
Total fund balances	<u>\$ 69,635</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 396,439</u>	<u>\$ 466,080</u>

CITY OF BLAKELY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue Funds		Capital Project Funds		Totals
	Grant Fund	Hotel/Motel Fund	CDBG Fund	SPLOST Fund	
Revenues					
Other taxes	\$ -	\$ 31,275	\$ -	\$ -	\$ 31,275
Intergovernmental	94,634	-	456,605	451,781	1,003,020
Interest revenue	-	-	-	1,857	1,857
Other revenues	-	-	-	64,511	64,511
Total revenues	94,634	31,275	456,605	518,149	1,100,663
Expenditures:					
Current:					
Public safety	141,057	-	-	-	141,057
Housing and development	-	18,088	-	-	18,088
Capital outlay	-	-	456,599	583,136	1,039,735
Debt service:					
Principal	27,222	-	-	19,682	46,904
Interest	13,115	-	-	1,227	14,342
Total expenditures	181,394	18,088	456,599	604,045	1,260,126
Excess (deficiency) of revenues over (under) expenditures	(86,760)	13,187	6	(85,896)	(159,463)
Other financing sources (uses)					
Transfers in	48,395	-	-	-	48,395
Transfers out	-	(23,846)	-	-	(23,846)
Intergovernmental loan proceeds	108,000	-	-	-	108,000
Total other financing sources (uses)	156,395	(23,846)	-	-	132,549
Net change in fund balances	69,635	(10,659)	6	(85,896)	(26,914)
Fund balances, beginning of year	-	10,659	-	482,335	492,994
Fund balances, end of year	\$ 69,635	\$ -	\$ 6	\$ 396,439	\$ 466,080

CITY OF BLAKELY, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Project Description</u>	<u>Original Costs</u>	<u>Estimated Costs</u>	<u>Expenditures</u>		
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Two garbage trucks	\$ 150,000	\$ 256,500	\$ 256,499	\$ -	\$ 256,499
Fire truck with ladder	150,000	150,000	150,000	-	150,000
Water treatment system	252,000	330,000	330,000	291,802	621,802
Landfill projects	200,000	200,000	200,000	46,296	246,296
General equipment	221,000	609,071	726,587	180,527	907,114
Bridge and street projects	<u>900,000</u>	<u>1,336,500</u>	<u>1,473,175</u>	<u>-</u>	<u>1,473,175</u>
Totals	<u>\$ 1,873,000</u>	<u>\$ 2,882,071</u>	<u>\$ 3,136,261</u>	<u>\$ 518,625</u>	<u>\$ 3,654,886</u>

Reconciliation of the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds to the Statement of Revenues, Expenditures and Changes in Fund Balance

Total current year expenditures of special purpose local option sales tax proceeds	\$ 518,625
Reimbursed cost related to a water treatment system	64,511
Payment of principal and interest for expenditures previously included	<u>20,909</u>
Total expenditures, per the statement of revenue, expenditures and changes in fund balance	<u>\$ 604,045</u>

Note: During the year ended December 31, 2013, the City transferred the theatre renovation project to Early County, Georgia. The schedule has been updated to exclude the theatre project's estimated cost of \$300,000 and prior year expenditures of \$20,800.

COMPLIANCE SECTION



CERTIFIED PUBLIC ACCOUNTANTS, LLC

**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 Honorable Mayor and Members
of the City Council
Blakely, Georgia**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Blakely, Georgia (the "City") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise City of Blakely, Georgia's basic financial statements and have issued our report thereon dated October 31, 2014. Our report also includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-2 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-1 to be a significant deficiency.

Compliance and Other Matters

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

The City of Blakely, Georgia's Responses to Findings

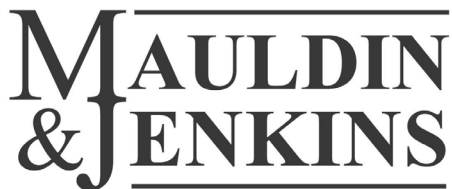
The City of Blakely, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Blakely, Georgia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Albany, Georgia
October 31, 2014



CERTIFIED PUBLIC ACCOUNTANTS, LLC

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

**To the Honorable Mayor and Members
of the City Council
Blakely, Georgia**

Report on Compliance For Each Major Federal Program

We have audited the City of Blakely, Georgia's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Albany, Georgia
October 31, 2014

CITY OF BLAKELY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing & Urban Development			
Passed through Georgia Department of Community Affairs			
CDBG - State-Administered CDBG Cluster	14.228	11-P-X-049-2-5351	\$ 456,605
Total U.S. Department of Housing & Urban Development			<u>456,605</u>
U.S. Department of Agriculture			
Direct Award			
Community Facilities Loans and Grants	10.780		<u>133,000</u>
Total U.S. Department of Agriculture			<u>133,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 589,605</u></u>

CITY OF BLAKELY, GEORGIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Blakely, Georgia (the "City"), and is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 2. PAYMENTS TO SUBRECIPIENTS

The City of Blakely, Georgia did not make any payments of federal awards to subrecipients during the fiscal year ended December 31, 2013.

NOTE 3. NON-CASH AWARDS

The City of Blakely, Georgia did not receive non-cash federal awards during the fiscal year ended December 31, 2013.

CITY OF BLAKELY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	State-Administered Community Development Block Grant Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
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CITY OF BLAKELY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2013 - 1. Segregation of Duties

Criteria: Internal controls should be in place that provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: For the fiscal year ended December 31, 2013, we noted a lack of proper segregation of duties within the City Finance Department.

Context: Several instances of overlapping duties were noted during interviews regarding internal control procedures, specifically the same person preparing the deposit is reviewing the completed deposit and reconciling it to the daily receipt report and the employee that is involved in the cash receipt function is also involved in the accounts receivable function.

Effect: Failure to properly segregate duties between recording, distribution and reconciliation of accounts can lead to misappropriation of funds that is not detected during the normal course of business.

Recommendation: The duties of recording, distribution and reconciliation of accounts should be segregated among employees.

Views of Responsible Officials and Planned Corrective Action: We concur. We will work with staff to segregate duties and apply compensating controls to the extent possible.

2013 - 2. Management of Accounts Receivable

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. As a part of these processes, the County should review all revenue transactions to determine reporting in the proper period.

Condition: The City did not properly record intergovernmental receivables in the General Fund as of December 31, 2012.

Context: We addressed this matter with City officials and they were able to determine the amount of unbilled accounts receivable that should be recorded in the funds as of December 31, 2012.

Effect: A prior period adjustment to increase intergovernmental receivables by \$65,160 and increase fund balance in the same amount was required to be recorded within the General Fund as of December 31, 2012.

Cause: The City did not review and reconcile all revenue transactions in the prior year to determine reporting in the proper period.

CITY OF BLAKELY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013 - 2. Management of Accounts Receivable (Continued)

Recommendation: We recommend the City establish procedures to review and reconcile all revenue transactions after year-end to determine reporting in the proper period.

Views of Responsible Officials and Planned Corrective Action: We concur. We will establish procedures to review and reconcile all revenue transactions after year-end to determine reporting in the proper period.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF BLAKELY, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2013

2012 - 1. Segregation of Duties

Criteria: Internal controls should be in place that provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: For the fiscal year ended December 31, 2012, we noted a lack of proper segregation of duties within the City Finance Department.

Auditee Response/Status: Unresolved – See current year financial audit finding 2013-1.