



CITY OF CEDARTOWN, GEORGIA

Annual Financial Report

For the year ended December 31, 2013

***Bill Fann
City Manager***

***By Authority of
City Commission***

***Prepared by:
Finance Department***

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CITY OF CEDARTOWN, GEORGIA
ANNUAL FINANCIAL REPORT
For the year ended December 31, 2013

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RUSHTON & COMPANY

Independent Auditor's Report

Honorable Chairman and Members
of the City Commission
City of Cedartown, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cedartown, Georgia, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cedartown, Georgia, as of December 31, 2013, and the respective changes in the financial position and, where applicable, cash flows, and the budgetary comparison of the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The City of Cedartown, Georgia, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cedartown, Georgia's basic financial statements. The combining and individual fund financial statements and schedules, and the special purpose local option sales tax report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the City of Cedartown, Georgia's basic financial statements for the year ended December 31, 2012, which are not presented with the accompanying financial statements. In our report dated June 18, 2013, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cedartown's basic financial statements as a whole. The combining and individual fund financial statements and schedules related to the 2012 financial statements are presented for the purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements and schedules related to the 2012 financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the 2012 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2012 combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014, on our consideration of the City of Cedartown, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
June 26, 2014

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BASIC FINANCIAL STATEMENTS

CITY OF CEDARTOWN, GEORGIA
STATEMENT OF NET POSITION
December 31, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 642,519	\$ 199,983	\$ 842,502	\$ 50,908
Certificates of deposit	0	0	0	25,075
Restricted assets				
Cash and cash equivalents	430,245	5,990,076	6,420,321	0
Receivables (net)				
Accounts	48,214	464,161	512,375	6,715
Taxes	1,160,228	0	1,160,228	0
Intergovernmental	220,605	312,043	532,648	0
Prepaid items	43,631	35,520	79,151	0
Internal balances	(175,004)	175,004	0	0
Inventories	0	16,399	16,399	2,971
Total current assets	<u>2,370,438</u>	<u>7,193,186</u>	<u>9,563,624</u>	<u>85,669</u>
Noncurrent assets				
Capital assets				
Non-depreciable	6,925,644	2,533,648	9,459,292	0
Depreciable (net)	8,544,004	11,889,284	20,433,288	10,162
Total noncurrent assets	<u>15,469,648</u>	<u>14,422,932</u>	<u>29,892,580</u>	<u>10,162</u>
Total assets	<u>17,840,086</u>	<u>21,616,118</u>	<u>39,456,204</u>	<u>95,831</u>
LIABILITIES				
Current liabilities				
Payables				
Accounts	219,349	77,355	296,704	7,585
Retainages	29,730	0	29,730	0
Accrued salaries and payroll liabilities	92,662	18,603	111,265	0
Compensated absences	218,749	38,664	257,413	0
Unearned revenue	75,765	0	75,765	0
Due to other agencies	45,811	0	45,811	0
Capital lease payable	79,546	47,879	127,425	0
Notes payable	0	116,003	116,003	0
Liabilities payable from restricted assets				
Payables				
Accounts	0	408,166	408,166	0
Retainages	0	48,995	48,995	0
Interest	9,799	112,096	121,895	0
Customer deposits payable	0	119,216	119,216	0
Bonds payable	275,000	255,000	530,000	0
Total current liabilities	<u>1,046,411</u>	<u>1,241,977</u>	<u>2,288,388</u>	<u>7,585</u>

See accompanying notes to the financial statements.

CITY OF CEDARTOWN, GEORGIA
STATEMENT OF NET POSITION
December 31, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Noncurrent liabilities				
Net OPEB obligation	\$ 589,843	\$ 112,423	\$ 702,266	\$ 0
Capital leases payable	61,525	153,623	215,148	0
Notes payable	0	1,237,579	1,237,579	0
Bonds payable	2,265,000	8,448,689	10,713,689	0
Total noncurrent liabilities	2,916,368	9,952,314	12,868,682	0
Total liabilities	3,962,779	11,194,291	15,157,070	7,585
NET POSITION				
Net investment in capital assets	12,664,146	9,304,914	21,969,060	10,162
Restricted for:				
Public Safety	18,710	0	18,710	0
Public Works	14,892	0	14,892	0
Culture and Recreation	189,024	0	189,024	0
Capital outlay	466,170	0	466,170	0
Debt service	220,360	160,848	381,208	0
Unrestricted	304,005	956,065	1,260,070	78,085
Total net position	\$ 13,877,307	\$ 10,421,827	\$ 24,299,134	\$ 88,247

See accompanying notes to the financial statements.

CITY OF CEDARTOWN, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2013

	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS					
Primary government					
Governmental activities					
General Government	\$ 1,090,351	\$ 1,927	\$ 0	\$ 173,707	\$ (914,717)
Judicial	54,707	0	0	0	(54,707)
Public Safety	4,183,299	368,846	50,288	86,616	(3,677,549)
Public Works	1,302,067	38,770	0	1,224,546	(38,751)
Health and Welfare	67,736	1,250	46,017	0	(20,469)
Culture and Recreation	757,125	15,112	123,940	241,191	(376,882)
Housing and Development	262,568	62,175	0	0	(200,393)
Interest on long-term debt	160,394	0	0	0	(160,394)
Total governmental activities	<u>7,878,247</u>	<u>488,080</u>	<u>220,245</u>	<u>1,726,060</u>	<u>(5,443,862)</u>
Business-type activities					
Water and Sewer	2,713,796	2,551,850	0	424,968	263,022
Solid Waste	580,734	1,030,588	0	0	449,854
Total business-type activities	<u>3,294,530</u>	<u>3,582,438</u>	<u>0</u>	<u>424,968</u>	<u>712,876</u>
Total primary government	<u>11,172,777</u>	<u>4,070,518</u>	<u>220,245</u>	<u>2,151,028</u>	<u>(4,730,986)</u>
Component Units					
Civic Arts Commission					
Culture and Recreation	60,124	51,564	4,547	0	(4,013)
Downtown Cedartown Association					
Housing and Development	87,022	13,280	14	0	(73,728)
Total component units	<u>147,146</u>	<u>64,844</u>	<u>4,561</u>	<u>0</u>	<u>(77,741)</u>
Primary Government					
	Governmental Activities	Business-Type Activities	Total	Component Units	
Change in net assets					
Net (expense) revenue	\$ (5,443,862)	\$ 712,876	\$ (4,730,986)	\$ (77,741)	
General revenues					
Taxes					
Property	2,243,384	0	2,243,384	0	
Sales	1,358,384	0	1,358,384	0	
Franchise	722,471	0	722,471	0	
Insurance premium	502,944	0	502,944	0	
Intangibles	10,103	0	10,103	0	
Alcoholic beverage	242,951	0	242,951	0	
Hotel/Motel	74,759	0	74,759	0	
Occupational	178,769	0	178,769	0	
Payments from City of Cedartown	0	0	0	99,026	
Interest and investment earnings	190	276	466	42	
Gain on sale of assets	24,700	0	24,700	0	
Miscellaneous	64,777	3,372	68,149	2,262	
Transfers	192,343	(192,343)	0	0	
Total general revenues and transfers	<u>5,615,775</u>	<u>(188,695)</u>	<u>5,427,080</u>	<u>101,330</u>	
Change in net position	<u>171,913</u>	<u>524,181</u>	<u>696,094</u>	<u>23,589</u>	
Net position - beginning (original)	13,939,558	9,897,646	23,837,204	64,658	
Prior period adjustments	(234,164)	0	(234,164)	0	
Net position - beginning (restated)	<u>13,705,394</u>	<u>9,897,646</u>	<u>23,603,040</u>	<u>64,658</u>	
Net position - ending	<u>\$ 13,877,307</u>	<u>\$ 10,421,827</u>	<u>\$ 24,299,134</u>	<u>\$ 88,247</u>	

See accompanying notes to the financial statements.

CITY OF CEDARTOWN, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013

	<u>General</u>	<u>SPLOST Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 154,785	\$ 410,962	\$ 44,061	\$ 609,808
Receivables (net)				
Accounts	0	48,214	0	48,214
Taxes	1,138,670	0	21,558	1,160,228
Intergovernmental	22,655	197,950	0	220,605
Prepaid items	43,631	0	0	43,631
Due from other funds	86,302	0	0	86,302
Restricted assets				
Cash and cash equivalents	206,402	223,843	0	430,245
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 1,652,445</u></u>	<u><u>\$ 880,969</u></u>	<u><u>\$ 65,619</u></u>	<u><u>\$ 2,599,033</u></u>
LIABILITIES				
Payables				
Accounts	\$ 124,651	\$ 94,699	\$ 0	\$ 219,350
Retainages	0	29,730	0	29,730
Accrued salaries and payroll liabilities	92,662	0	0	92,662
Due to other agencies	45,027	0	784	45,811
Unearned revenue	75,765	0	0	75,765
Due to other funds	197,910	63,396	0	261,306
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>536,015</u>	<u>187,825</u>	<u>784</u>	<u>724,624</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	<u>305,601</u>	<u>0</u>	<u>0</u>	<u>305,601</u>
FUND BALANCES				
Nonspendable prepaid items	43,631	0	0	43,631
Restricted for:				
Public Safety	2,486	0	16,224	18,710
Public Works	14,892	0	0	14,892
Culture and Recreation	189,024	0	0	189,024
Debt service	0	220,360	0	220,360
Capital projects	0	466,170	0	466,170
Assigned for:				
Housing and Development	0	0	48,611	48,611
Debt service	0	6,614	0	6,614
Unassigned	560,796	0	0	560,796
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>810,829</u>	<u>693,144</u>	<u>64,835</u>	<u>1,568,808</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows, and fund balances	<u><u>\$ 1,652,445</u></u>	<u><u>\$ 880,969</u></u>	<u><u>\$ 65,619</u></u>	<u><u>\$ 2,599,033</u></u>

See accompanying notes to the financial statements.

**CITY OF CEDARTOWN, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
December 31, 2013**

Total fund balance - total governmental funds \$ 1,568,808

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

Some assets are not financial resources and, therefore, are not reported in the funds.

These are: 15,469,648
Capital assets, net of accumulated depreciation

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

These are: 305,601
Property taxes

An internal service fund is used by management to charge the costs of employee benefits to individual funds. Assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 32,712

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

These are:		
Compensated absences	\$	(218,749)
Net OPEB obligation		(589,843)
Interest payable		(9,799)
Capital leases		(141,071)
Bonds payable		(2,540,000)
		(3,499,462)

Net position of governmental activities \$ 13,877,307

See accompanying notes to the financial statements.

CITY OF CEDARTOWN, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2013

	General	SPLOST Capital Projects	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 5,357,340	\$ 0	\$ 74,759	\$ 5,432,099
Licenses and permits	63,673	0	0	63,673
Fines, fees and forfeitures	232,894	0	33,113	266,007
Charges for services	158,400	0	0	158,400
Intergovernmental	282,414	1,413,941	0	1,696,355
Interest	91	99	0	190
Contributions	249,950	0	0	249,950
Other	55,932	8,845	0	64,777
Total revenues	6,400,694	1,422,885	107,872	7,931,451
EXPENDITURES				
Current				
General Government	968,414	0	0	968,414
Judicial	54,707	0	0	54,707
Public Safety	3,892,246	0	26,103	3,918,349
Public Works	1,059,044	0	0	1,059,044
Health and Welfare	65,316	0	0	65,316
Culture and Recreation	657,020	0	0	657,020
Housing and Development	174,633	0	0	174,633
Capital outlay	0	628,396	0	628,396
Debt Service	10,755	2,970,063	0	2,980,818
Total expenditures	6,882,135	3,598,459	26,103	10,506,697
Excess (deficiency) of revenues over (under) expenditures	(481,441)	(2,175,574)	81,769	(2,575,246)
Other financing sources (uses)				
Transfers in	889,854	0	0	889,854
Transfers out	0	(622,511)	(75,000)	(697,511)
Issuance of bonds payable	0	2,540,000	0	2,540,000
Issuance of capital leases	0	134,252	0	134,252
Proceeds from sales of assets	24,700	0	0	24,700
Total other financing sources (uses)	914,554	2,051,741	(75,000)	2,891,295
Net change in fund balance	433,113	(123,833)	6,769	316,049
Fund balances, January 1	377,716	816,977	58,066	1,252,759
Fund balances, December 31	\$ 810,829	\$ 693,144	\$ 64,835	\$ 1,568,808

See accompanying notes to the financial statements.

CITY OF CEDARTOWN, 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

Net change in fund balances - total governmental funds \$ 316,049

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$	639,712	
Depreciation		<u>(573,236)</u>	66,476

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable revenue. (98,334)

The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In addition, interest on long-term debt is not recognized in the governmental funds until due, but is recognized in the statement of activities as it accrues.

Debt principal repayments	\$	2,687,810	
Debt proceeds		(2,674,252)	
Net change in interest payable		<u>48,702</u>	62,260

An internal service fund is used by management to charge the costs of employee benefits to individual funds. Net revenue (expense) of the internal service fund is included in governmental activities in the statement of activities. 246

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Compensated absences	\$	(13,453)	
Net OPEB obligation		<u>(161,331)</u>	<u>(174,784)</u>

Change in net position of governmental activities	\$	<u>171,913</u>	
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See accompanying notes to the financial statements.

CITY OF CEDARTOWN, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2013

	Budget		Actual	Variance with
	Original	Final		Final Budget
REVENUES				
Taxes	\$ 5,375,940	\$ 5,375,940	\$ 5,357,340	\$ (18,600)
Licenses and permits	23,800	23,800	63,673	39,873
Fines, fees and forfeitures	312,700	312,700	232,894	(79,806)
Charges for services	133,830	133,830	158,400	24,570
Intergovernmental	189,125	274,125	282,414	8,289
Interest	0	0	91	91
Contributions	0	170,015	249,950	79,935
Other	53,000	53,000	55,932	2,932
Total revenues	6,088,395	6,343,410	6,400,694	57,284
EXPENDITURES				
Current				
General Government				
City Commission	199,382	199,382	189,163	10,219
City Manager	116,650	116,650	103,894	12,756
Administration	392,444	491,444	491,848	(404)
Elections	3,550	3,550	2,649	901
Information Technology	26,921	27,636	27,635	1
Finance	147,779	151,179	153,225	(2,046)
Judicial				
Municipal Court	70,860	70,860	54,707	16,153
Public Safety				
Police Department	2,492,563	2,558,463	2,556,794	1,669
Fire Department	1,328,269	1,332,269	1,335,452	(3,183)
Public Works				
Highways and Streets	697,066	722,066	723,498	(1,432)
Street Lighting	150,000	161,000	160,500	500
Cemetery	174,159	174,759	175,046	(287)
Health and Welfare				
Transportation	51,735	65,735	65,316	419
Culture and Recreation				
Parks and Recreation	449,311	470,811	446,795	24,016
Library	87,399	87,399	85,898	1,501
Agency allocations	120,338	124,838	124,327	511
Housing and Development				
Inspections	68,874	68,874	45,112	23,762
Code Enforcement	63,427	63,427	63,815	(388)
Agency allocations	87,894	87,894	65,706	22,188
Debt Service				
Interest	20,000	20,000	10,755	9,245
Total expenditures	6,748,621	6,998,236	6,882,135	116,101
Excess (deficiency) of revenues over (under) expenditures	(660,226)	(654,826)	(481,441)	173,385

See accompanying notes to the financial statements.

CITY OF CEDARTOWN, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2013

	Budget		Actual	Variance with Final Budget
	Original	Final		
Other financing sources (uses)				
Transfers in (out)				
Transfers in	\$ 860,000	\$ 860,000	\$ 889,854	\$ 29,854
Transfers out	0	(5,400)	0	5,400
Proceeds from sales of assets	15,000	15,000	24,700	9,700
Contingency	(214,774)	(214,774)	0	214,774
Total other financing sources (uses)	<u>660,226</u>	<u>654,826</u>	<u>914,554</u>	<u>259,728</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	433,113	433,113
Fund balances, January 1	<u>0</u>	<u>0</u>	<u>377,716</u>	<u>377,716</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 810,829</u></u>	<u><u>\$ 810,829</u></u>

See accompanying notes to the financial statements.

CITY OF CEDARTOWN, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013

	Water and Sewer	Solid Waste	Totals	Internal Service Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 199,983	\$ 0	\$ 199,983	\$ 32,712
Restricted assets				
Cash and cash equivalents	5,990,076	0	5,990,076	0
Receivables				
Accounts (net)	330,001	134,160	464,161	0
Intergovernmental	312,043	0	312,043	0
Inventory	16,399	0	16,399	0
Prepaid items	35,520	0	35,520	0
Due from other funds	261,296	0	261,296	0
Total current assets	<u>7,145,318</u>	<u>134,160</u>	<u>7,279,478</u>	<u>32,712</u>
Noncurrent assets				
Capital assets				
Non-depreciable	2,533,648	0	2,533,648	0
Depreciable (net)	11,889,284	0	11,889,284	0
Total noncurrent assets	<u>14,422,932</u>	<u>0</u>	<u>14,422,932</u>	<u>0</u>
Total assets	<u>21,568,250</u>	<u>134,160</u>	<u>21,702,410</u>	<u>32,712</u>
LIABILITIES				
Current liabilities				
Accounts payable	29,487	47,868	77,355	0
Accrued salaries and payroll liabilities	18,603	0	18,603	0
Compensated absences	38,664	0	38,664	0
Due to other funds	0	86,292	86,292	0
Capital leases payable	47,879	0	47,879	0
Notes payable	116,003	0	116,003	0
Liabilities payable from restricted assets:				
Payables				
Accounts	408,166	0	408,166	0
Retainages	48,995	0	48,995	0
Interest	112,096	0	112,096	0
Customer deposits payable	119,216	0	119,216	0
Revenue bonds payable	255,000	0	255,000	0
Total current liabilities	<u>1,194,109</u>	<u>134,160</u>	<u>1,328,269</u>	<u>0</u>
Noncurrent liabilities				
Net OPEB obligation	112,423	0	112,423	0
Capital leases payable	153,623	0	153,623	0
Notes payable	1,237,579	0	1,237,579	0
Revenue bonds payable	8,448,689	0	8,448,689	0
Total noncurrent liabilities	<u>9,952,314</u>	<u>0</u>	<u>9,952,314</u>	<u>0</u>
Total liabilities	<u>11,146,423</u>	<u>134,160</u>	<u>11,280,583</u>	<u>0</u>
NET POSITION				
Net investment in capital assets	9,304,914	0	9,304,914	0
Restricted for debt service	160,848	0	160,848	0
Unrestricted	956,065	0	956,065	32,712
Total net position	<u>\$ 10,421,827</u>	<u>\$ 0</u>	<u>\$ 10,421,827</u>	<u>\$ 32,712</u>

See accompanying notes to the financial statements.

CITY OF CEDARTOWN, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2013

	Water and Sewer	Solid Waste	Totals	Internal Service Fund
OPERATING REVENUES				
Charges for sales and services	\$ 2,551,850	\$ 1,030,588	\$ 3,582,438	\$ 0
Interfund services provided	0	0	0	897,008
Other	3,372	0	3,372	0
Total operating revenues	2,555,222	1,030,588	3,585,810	897,008
OPERATING EXPENSES				
Costs of sales and services	692,511	580,734	1,273,245	896,762
Personal services	978,119	0	978,119	0
Depreciation	531,220	0	531,220	0
Total operating expenses	2,201,850	580,734	2,782,584	896,762
Operating income (loss)	353,372	449,854	803,226	246
Non-operating revenues (expenses)				
Interest revenue	276	0	276	0
Other expense	(602)	0	(602)	0
Interest expense	(285,543)	0	(285,543)	0
Debt issue costs	(225,801)	0	(225,801)	0
Total non-operating revenues (expenses)	(511,670)	0	(511,670)	0
Net income (loss) before capital contributions and transfers	(158,298)	449,854	291,556	246
Capital contributions				
Capital contributions	112,925	0	112,925	0
Intergovernmental	312,043	0	312,043	0
Total capital contributions	424,968	0	424,968	0
Net income (loss) before transfers	266,670	449,854	716,524	246
Transfers in (out)				
Transfers in	622,511	0	622,511	0
Transfers out	(365,000)	(449,854)	(814,854)	0
Total transfers	257,511	(449,854)	(192,343)	0
Change in net position	524,181	0	524,181	246
Net position, January 1	9,897,646	0	9,897,646	32,466
Net position, December 31	\$ 10,421,827	\$ 0	\$ 10,421,827	\$ 32,712

See accompanying notes to the financial statements.

CITY OF CEDARTOWN, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2013

	Water and Sewer	Solid Waste	Totals	Internal Service Fund
Cash flows from operating activities:				
Receipts from customers	\$ 2,495,919	\$ 1,021,594	\$ 3,517,513	\$ 0
Receipts from interfund services provided	0	0	0	833,206
Payments to suppliers	(690,968)	(679,396)	(1,370,364)	(832,960)
Payments to employees	(948,272)	0	(948,272)	0
Other receipts	3,372	0	3,372	0
	<u>860,051</u>	<u>342,198</u>	<u>1,202,249</u>	<u>246</u>
Net cash provided (used) by operating activities				
Cash flows from non-capital financing activities:				
Receipts from other funds	148,350	0	148,350	0
Payments to other funds	(390,000)	(342,198)	(732,198)	0
	<u>(241,650)</u>	<u>(342,198)</u>	<u>(583,848)</u>	<u>0</u>
Net cash provided (used) by non-capital financing activities				
Cash flows from capital and related financing activities:				
Receipts from other funds	622,511	0	622,511	0
Payments for acquisitions of capital assets	(784,994)	0	(784,994)	0
Payments of capital related accounts payable	(27,850)	0	(27,850)	0
Principal payments - promissory notes	(2,966,275)	0	(2,966,275)	0
Issuance of bonds payable	8,702,480	0	8,702,480	0
Principal payments - revenue bonds	(135,000)	0	(135,000)	0
Principal payments - capital leases	(48,496)	0	(48,496)	0
Debt issue costs	(261,923)	0	(261,923)	0
Interest paid	(191,402)	0	(191,402)	0
	<u>4,909,051</u>	<u>0</u>	<u>4,909,051</u>	<u>0</u>
Net cash provided (used) by capital and related financing activities				
Cash flows from investing activities:				
Interest received	276	0	276	0
	<u>276</u>	<u>0</u>	<u>276</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents				
	5,527,728	0	5,527,728	246
Cash and cash equivalents, January 1	662,331	0	662,331	32,466
Cash and cash equivalents, December 31	<u><u>\$ 6,190,059</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 6,190,059</u></u>	<u><u>\$ 32,712</u></u>

See accompanying notes to the financial statements.

CITY OF CEDARTOWN, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2013

	Water and Sewer	Solid Waste	Totals	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 353,372	\$ 449,854	\$ 803,226	\$ 246
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	531,220	0	531,220	0
(Increase) decrease in accounts receivable	(38,646)	(8,994)	(47,640)	0
(Increase) decrease in prepaid items			0	63,802
(Increase) decrease in inventory	8,338	0	8,338	0
Increase (decrease) in accounts payable	(6,795)	(98,662)	(105,457)	0
Increase (decrease) in unearned revenue	0	0	0	(63,802)
Increase (decrease) in net OPEB obligation	31,891	0	31,891	0
Increase (decrease) in payroll liabilities	(2,044)	0	(2,044)	0
Increase (decrease) in deposits payable	(17,285)	0	(17,285)	0
Total adjustments	506,679	(107,656)	399,023	0
Net cash provided (used) by operating activities	\$ 860,051	\$ 342,198	\$ 1,202,249	\$ 246
Cash and cash equivalents reconciliation:				
Cash and cash equivalents	\$ 199,983	\$ 0	\$ 199,983	\$ 32,712
Restricted assets				
Cash and cash equivalents	5,990,076	0	5,990,076	0
Total cash and cash equivalents	\$ 6,190,059	\$ 0	\$ 6,190,059	\$ 32,712

Noncash investing, capital, and financing activities:

Acquisition of capital assets through accounts payable totaled \$457,161 for the year ended December 31, 2013.

Acquisition of capital assets through capital leases totaled \$249,998 for the year ended December 31, 2013.

See accompanying notes to the financial statements.

CITY OF CEDARTOWN, GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
December 31, 2013

	<u>Cedartown Civic Arts Commission</u>	<u>Downtown Cedartown Association</u>	<u>Totals</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 34,722	\$ 16,186	\$ 50,908
Certificates of deposit	0	25,075	25,075
Accounts receivable	1,121	5,594	6,715
Inventory	<u>0</u>	<u>2,971</u>	<u>2,971</u>
Total current assets	35,843	49,826	85,669
Noncurrent assets			
Capital assets			
Depreciable (net)	<u>3,627</u>	<u>6,535</u>	<u>10,162</u>
Total assets	<u>39,470</u>	<u>56,361</u>	<u>95,831</u>
LIABILITIES			
Current liabilities			
Accounts payable	<u>6,630</u>	<u>955</u>	<u>7,585</u>
NET POSITION			
Investment in capital assets	3,627	6,535	10,162
Unrestricted	<u>29,214</u>	<u>48,871</u>	<u>78,085</u>
Total net position	<u>\$ 32,841</u>	<u>\$ 55,406</u>	<u>\$ 88,247</u>

See accompanying notes to the financial statements.

CITY OF CEDARTOWN, GEORGIA
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the year ended December 31, 2013

	Cedartown Civic Arts Commission	Downtown Cedartown Association	Totals
Expenses			
Culture and Recreation	\$ 60,124	\$ 0	\$ 60,124
Housing and Development	0	87,022	87,022
Total expenses	<u>60,124</u>	<u>87,022</u>	<u>147,146</u>
Program revenues			
Charges for services	51,564	13,280	64,844
Operating grants and contributions	4,547	14	4,561
Total program revenues	<u>56,111</u>	<u>13,294</u>	<u>69,405</u>
Net (expense) revenue	<u>(4,013)</u>	<u>(73,728)</u>	<u>(77,741)</u>
General revenues			
Payments from City of Cedartown	33,320	65,706	99,026
Interest	4	38	42
Miscellaneous	0	2,262	2,262
Total general revenues	<u>33,324</u>	<u>68,006</u>	<u>101,330</u>
Change in net position	29,311	(5,722)	23,589
Net position, January 1	<u>3,530</u>	<u>61,128</u>	<u>64,658</u>
Net position, December 31	<u><u>\$ 32,841</u></u>	<u><u>\$ 55,406</u></u>	<u><u>\$ 88,247</u></u>

See accompanying notes to the financial statements.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

1. Description of Government Unit

The City of Cedartown incorporated under the laws of the State of Georgia in 1854. The City operates under a commission form of government and provides the following services: public safety, street and sanitation, culture and recreation, public improvements and general and administrative services. In addition, the City operates a public utility (water and sewer) for the incorporated and immediate surrounding areas.

The City is governed by an elected five-member commission.

2. Summary of Significant Accounting Policies

A. Description of Government-wide 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 and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Cedartown (the primary government) and material component units. The component units discussed below are included in the City's reporting entity because of the significance of its operational and financial relationship with the City. In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, the financial statements of the following component units have been included as discretely presented component units.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

B. Reporting Entity, continued

City of Cedartown Civic Arts Commission

The City of Cedartown Civic Arts Commission was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The Arts Commission consists of twelve members appointed by the City Commission. The Arts Commission was created for the purpose of managing the Cedartown Civic Auditorium.

The City of Cedartown Civic Arts Commission is reported in a separate column to emphasize that it is legally separate from the City. The City of Cedartown Civic Arts Commission is reported as a discretely presented component unit due to fiscal relationship with the City of Cedartown. Contributions from the City of Cedartown constitute a significant portion of the Civic Arts Commission's revenues. Individual financial statements are presented as part of the City's Annual Financial Report in the sections labeled "Component Units" (See Exhibit H). The City of Cedartown Civic Arts Commission has a December 31st year-end. Individual financial statements may be obtained by contacting the City of Cedartown Civic Arts Commission, 205 East Avenue, Cedartown, Georgia 30125.

City of Cedartown Downtown Development Authority

The City of Cedartown Downtown Development Authority was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The Authority consists of seven members appointed by the City Commission. The Authority provides for the vitalization of the downtown area of the City of Cedartown. The City of Cedartown Downtown Development Authority has a December 31st year-end. During 2013, there was no activity for the Authority.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

B. Reporting Entity, continued

Downtown Cedartown Association

The Downtown Cedartown Association was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The Authority consists of eight members appointed by the City Commission. The Authority provides for the vitalization of the downtown area of the City of Cedartown. In many respects, the Authority functions similar to a City department through regular participation in department director meetings, budget approval, accounting, payroll, etc.

The Downtown Cedartown Association is reported in a separate column to emphasize that it is legally separate from the City. Individual financial statements are presented as part of the City's Annual Financial Report in the sections labeled "Component Units" (See Exhibit H). The Downtown Cedartown Association has a December 31st year-end. Individual financial statements may be obtained by contacting the Downtown Cedartown Association, 205 East Avenue, Cedartown, Georgia 30125.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has one discretely presented component unit. While the Downtown Development Authority is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

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

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

Special Purpose Local Option Sales Tax Capital Projects Fund – This fund is used to account for long-term capital projects financed by the passage of a special purpose local option sale tax.

The City reports the following major proprietary funds:

Water and Sewer Fund - This fund is used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Cedartown.

Solid Waste Fund – This fund is used to account for activities connected with the collection and disposal of residential, commercial, industrial and institutional solid waste in the City of Cedartown.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

Additionally, the City reports the following fund types:

Governmental Fund Types

Special Revenue Funds – This fund type is used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Proprietary Fund Types

Internal Service Fund – This fund is used to account for the financing of risk management activities of the City on a cost reimbursement basis.

Component Units

The City of Cedartown Civic Arts Commission, the Downtown Cedartown Association, and the City of Cedartown Downtown Development Authority are accounted for using a current financial resources measurement focus and uses the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting, continued

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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. Revenues and Expenditures/Expenses

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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

F. Revenues and Expenditures/Expenses, continued

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

G. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the General Fund and Special Revenue Funds. The Capital Projects Fund is budgeted by the City Commission when capital projects are approved. Annual operating budgets are adopted each fiscal year through approval by the Commission.

Each year by the middle of October, the City Manager submits a proposed budget to the City Commission for their review. Prior to adoption, a public hearing is held to receive comment from the citizenry on the proposed budget. This hearing is publicized in the local newspaper one week before the hearing, and the budget document is made available for public inspection during this week. After the public hearing, the budget is then revised by the City Commission and the first reading of the proposed budget is made. At the next City Commission meeting, the second reading of the proposed budget is made and the City Commission votes to adopt the proposed budget. The annual operating budget is adopted no later than December 31 for the following year.

The annual budgets for the General Fund and Special Revenue Funds are prepared in accordance with the basis of accounting utilized by that fund. The budgets for the Enterprise Funds are adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, non-operating income and expense items are not considered. All unencumbered budget appropriations, except project budgets, lapse at the end of each year.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

G. Budgets and Budgetary Accounting, continued

The legal level of budgetary control is the departmental level. Any increases in total appropriations of a department require approval and amendment of the budget by the City Commission. Except as indicated on the major fund budgetary comparison statement, budget amounts included in this report are as amended as of December 31, 2013.

H. Cash and Investments

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less. Investments are reported at fair value with accrued interest shown under a separate caption on the balance sheet. The City has no investments other than certificates of deposit.

I. Intergovernmental Receivables

Receivables for state, federal, and local governments are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

J. Inventories

Inventories for all Governmental Funds are recorded as expenditures when purchased. Inventories of Proprietary Funds are valued at the lower of cost on the first-in, first-out method, or market.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

L. Capital Assets, continued

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the year ended December 31, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Prior to January 1, 2007, neither their historical costs, nor related depreciation, had historically been reported in the financial statements. The City implemented the requirements for retroactive reporting of major general infrastructure assets during the year ended December 31, 2007. The City elected not to report general infrastructure assets placed into service prior to July 1, 1980.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

	Useful Life	Capitalization	
	in Years	Threshold	
Buildings	10 - 50	\$	2,000
Distribution systems	10 - 50	\$	20,000
Bridges, culverts, and sidewalks	30	\$	20,000
Roads	30	\$	50,000
Vehicles	5	\$	2,000
Machinery and equipment	3 - 10	\$	2,000
Intangible assets	5	\$	2,000

All land will be valued and capitalized. The costs of normal maintenance and repairs that do not add value or materially extend the life of the asset are charged to operations as incurred. Costs of major additions and improvements are capitalized. The City does not currently have a policy regarding capitalization thresholds.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

N. Net Position Flow Assumption

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

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

O. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

P. Restricted Assets and Restricted Net Position

Restricted assets of the Enterprise Funds represent certain resources set aside for the repayment of revenue bonds because they are maintained in a separate bank account and their use is limited by applicable bond covenants. Assets restricted for renewal and extension are set aside for unexpected contingencies or for asset replacement.

Restricted net position is equal to the excess of the restricted assets funded from operations over the liabilities to be paid with restricted assets which are due in one year or less. Restricted assets exclude bond proceeds for calculation of reserve.

Q. Fund Balances – Governmental Funds

The City of Cedartown implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at December 31, 2013, by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

Q. Fund Balances – Governmental Funds, continued

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Commission, the City of Cedartown's highest level of decision making authority, which include the language "committed for the purpose of". Commitments may be modified or rescinded only through adoption of a subsequent resolution. A resolution committing amounts must be adopted prior to the end of the fiscal year; however, the amount to be committed may be determined within 60 days of fiscal year-end.

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City Commission's adopted policy, amounts may be assigned by the Finance Director, under the authorization of the City Commission, through a written memorandum. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year's budget shall constitute assignments and are documented by adoption of the City's annual operating budget. Equity amounts reported in special revenue funds, capital project funds, debt service funds, or permanent funds not otherwise classified as nonspendable, restricted, or committed shall constitute assignments of fund balance.

Unassigned – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that should report this category of fund balance.

For the purposes of fund balance classification, the City considers restricted amounts spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Furthermore, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance can be used, then committed amounts are spent first, followed by assigned amounts, and then unassigned amounts

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

R. Compensation for Future Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits which will be paid to the employees upon separation from City service. Accumulated unpaid vacation pay amounts are accrued when incurred by the City in the government-wide and proprietary fund financial statements. The liability of the proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees. In governmental fund types, a liability is recorded only if the benefit has matured and is expected to be liquidated with expendable available financial resources.

S. Long-Term Obligations

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

In the fund financial statements, governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

T. Capital Contributions

Federal, state and local government assistance in the form of grants that are permanent in nature and restricted for the construction or acquisition of specific property and equipment is recorded as an asset and as non-operating revenue.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

U. Comparative Data and Reclassifications

Comparative total data of the prior period has been presented in the accompanying individual fund financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain 2012 amounts have been reclassified to conform with the 2013 presentation

3. Deposit and Investment Risk

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned. The City has no formal policy, but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized. At December 31, 2013, the City had no uninsured, uncollateralized deposits.

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.

Credit Risk

State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The City has no investment policy that would further limit its investment choices. Investments are reported at fair value.

Concentration of Credit Risk

The City has no formal policy on the amount the City may invest in any one issuer.

Foreign currency risk

The City has no investments denominated in a foreign currency.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

4. Accounts Receivable

Net accounts receivable at December 31, 2013, consist of the following:

Major Funds

SPLOST		\$ 48,214
Enterprise Funds		
Water and Sewer	\$ 496,668	
Less: Allowances for Uncollectibles	(166,667)	
Solid Waste	157,757	
Less: Allowances for Uncollectibles	<u>(23,597)</u>	<u>464,161</u>
Total Primary Government		<u><u>\$ 512,375</u></u>
Component Units		
Cedartown Civic Arts Commission		\$ 1,121
Downtown Cedartown Association		<u>5,594</u>
Total Component Units		<u><u>\$ 6,715</u></u>

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2013, consist of the following:

Major Funds

General Fund		
Housing Authority of the City of Cedartown		\$ 22,655
SPLOST		
State of Georgia		
Polk County, Georgia		<u>197,950</u>
Total Primary Government		<u><u>\$ 220,605</u></u>

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

6. Taxes Receivable

Property Taxes

Property taxes receivable as of December 31, 2013, consist of property taxes for seven years as follows:

Year of Levy	Amount
2013	\$ 387,139
2012	102,167
2011	56,373
2010	31,912
2009	16,121
2008	2,238
2007	1,432
	597,382
Less allowance for uncollectible	(196,793)
Total	\$ 400,589

Property tax rates are set by the City Commission each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for the year 2013, based upon the assessments of January 1, 2013, were billed on October 15, 2013, and due on December 27, 2013. Tax liens are issued 60 days after the due date. The tax rate of 11.34 mils for 2013 was levied on September 9, 2013.

Other Taxes

\$594,174 of franchise taxes, \$21,185 of alcohol excise taxes, \$122,722 of sales taxes, and \$21,558 of hotel/motel taxes are also included in taxes receivable.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

7. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables as of December 31, 2013 is as follows:

Due to: Major Funds	Due from:			Total
	Major Funds			
	General	SPLOST	Solid Waste	
General	\$ 0	\$ 10	\$ 86,292	\$ 86,302
Water and Sewer	197,910	63,386	0	261,296
Total	\$ 197,910	\$ 63,396	\$ 86,292	\$ 347,598

The balance reported as Due to/Due from represent loans between the borrow fund and the lender fund. The balances result mainly from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between the funds are made.

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

A summary of interfund transfers is as follows:

Transfer In Fund	Transfer Out Fund	Amount
General	Water and Sewer	\$ 365,000
	Solid Waste	449,854
	Nonmajor Governmental	75,000
Water and Sewer	SPLOST	622,511
		\$ 1,512,365

Interfund transfers were used to transfer unrestricted revenues from payor funds to subsidize operations in payee funds in accordance with budgetary authorizations, to transfer funds to the SPLOST Fund for capital projects in accordance with budgetary authorizations, and to move SPLOST revenues from the SPLOST Capital Projects Fund to the Water and Sewer Fund, as required by state law. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type fund group.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

8. Capital Assets

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

	Balance 12/31/2012	Increases	Decreases	Balance 12/31/2013
Governmental activities				
Non-depreciable assets				
Land	\$ 6,826,577	\$ 92,983	\$ (16,416)	\$ 6,903,144
Construction in progress	1,841,338	374,503	(2,193,341)	22,500
Total non-depreciable assets	<u>8,667,915</u>	<u>467,486</u>	<u>(2,209,757)</u>	<u>6,925,644</u>
Depreciable assets				
Buildings	7,310,926	0	0	7,310,926
Infrastructure	2,238,793	2,173,757	(8,685)	4,403,865
Vehicles and equipment	4,857,889	172,226	(231,811)	4,798,304
Intangibles	0	36,000	0	36,000
Total depreciable assets	<u>14,407,608</u>	<u>2,381,983</u>	<u>(240,496)</u>	<u>16,549,095</u>
Accumulated depreciation				
Buildings	(2,442,591)	(178,708)		(2,621,299)
Infrastructure	(936,003)	(178,003)	8,685	(1,105,321)
Vehicles and equipment	(4,293,757)	(209,325)	231,811	(4,271,271)
Intangibles	0	(7,200)	0	(7,200)
Total accumulated depreciation	<u>(7,672,351)</u>	<u>(573,236)</u>	<u>240,496</u>	<u>(8,005,091)</u>
Total depreciable assets, net	<u>6,735,257</u>	<u>1,808,747</u>	<u>0</u>	<u>8,544,004</u>
Governmental activities capital assets, net	<u>\$ 15,403,172</u>	<u>\$ 2,276,233</u>	<u>\$ (2,209,757)</u>	<u>\$ 15,469,648</u>
Business-type activities				
Non-depreciable assets				
Land	\$ 1,245,358	\$ 0	\$ 0	\$ 1,245,358
Construction in progress	404,371	1,175,227	(291,308)	1,288,290
Total non-depreciable assets	<u>1,649,729</u>	<u>1,175,227</u>	<u>(291,308)</u>	<u>2,533,648</u>
Depreciable assets				
Buildings	89,760	32,395	0	122,155
Distribution system	20,736,494	291,310	0	21,027,804
Vehicles and equipment	1,027,008	284,529	(16,874)	1,294,663
Total depreciable assets	<u>21,853,262</u>	<u>608,234</u>	<u>(16,874)</u>	<u>22,444,622</u>
Accumulated depreciation				
Buildings	(15,670)	(12,695)	0	(28,365)
Distribution system	(9,050,572)	(449,828)	0	(9,500,400)
Vehicles and equipment	(974,750)	(68,697)	16,874	(1,026,573)
Total accumulated depreciation	<u>(10,040,992)</u>	<u>(531,220)</u>	<u>16,874</u>	<u>(10,555,338)</u>
Total depreciable assets, net	<u>11,812,270</u>	<u>77,014</u>	<u>0</u>	<u>11,889,284</u>
Business-type activities capital assets, net	<u>\$ 13,461,999</u>	<u>\$ 1,252,241</u>	<u>\$ (291,308)</u>	<u>\$ 14,422,932</u>

The beginning balance of land in the governmental activities has been adjusted to reflect amount incorrectly reported in prior periods. See Note 13 for discussion.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

8. Capital Assets (continued)

Capital asset activity for the Civic Arts Commission Component Unit and the Downtown Development Authority Component Unit for the year ended December 31, 2013, was as follows:

	<u>Balance 12/31/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2013</u>
Civic Arts Commission Component Unit				
Depreciable assets				
Buildings	\$ 7,497	\$ 0	\$ 0	\$ 7,497
Machinery and equipment	113,550	0	0	113,550
Total depreciable assets	<u>121,047</u>	<u>0</u>	<u>0</u>	<u>121,047</u>
Less accumulated depreciation				
Buildings	(4,237)	0	0	(4,237)
Machinery and equipment	(109,146)	(4,037)	0	(113,183)
Total accumulated depreciation	<u>(113,383)</u>	<u>(4,037)</u>	<u>0</u>	<u>(117,420)</u>
Total depreciable assets, net	<u>7,664</u>	<u>(4,037)</u>	<u>0</u>	<u>3,627</u>
Civic Arts Commission Component Unit capital assets, net	<u>\$ 7,664</u>	<u>\$ (4,037)</u>	<u>\$ 0</u>	<u>\$ 3,627</u>
Downtown Development Authority Component Unit				
Depreciable assets				
Machinery and equipment	\$ 14,032	\$ 0	\$ 0	\$ 14,032
Less accumulated depreciation				
Machinery and equipment	(6,720)	(777)	0	(7,497)
Total depreciable assets, net	<u>7,312</u>	<u>(777)</u>	<u>0</u>	<u>6,535</u>
Downtown Development Authority Component Unit capital assets, net	<u>\$ 7,312</u>	<u>\$ (777)</u>	<u>\$ 0</u>	<u>\$ 6,535</u>

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

8. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental activities

General Government	\$ 155,914
Public Safety	113,354
Public Works	198,360
Health and Welfare	920
Culture and Recreation	104,688
Total depreciation expense for governmental activities	<u>\$ 573,236</u>

Business-type activities

Water and Sewer	<u>\$ 531,220</u>
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Component Units

Civic Arts Commission	4,037
Downtown Development Authority	777
Total depreciation expense for component units	<u>\$ 4,814</u>

9. Capital and Operating Lease Agreements

The City has entered into agreements for the lease of certain equipment. The terms of the agreements meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The balance of these leases at December 31, 2013, is \$141,071 and \$201,502 for governmental activities and business-type activities, respectively.

The following is a schedule of the future minimum lease payments together with the present value of the net minimum lease payments as of December 31, 2013:

<u>Year Ending December 31,</u>	<u>Governmental activities</u>	<u>Business-type activities</u>
2014	\$ 83,718	\$ 54,727
2015	47,188	54,727
2016	16,087	54,727
2017	0	54,727
Total minimum lease payments	146,993	218,908
Less amounts representing interest	(5,922)	(17,406)
Present value of minimum lease payments	<u>\$ 141,071</u>	<u>\$ 201,502</u>

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

9. Capital and Operating Lease Agreements (continued)

Total assets leased under capital leases are \$269,957 for governmental activities and are classified as machinery and equipment. Total assets leased under capital leases are \$249,998 for business-type activities and are classified as vehicles.

The City's lease agreements, other than such agreements described above, are relatively minor commitments and are in compliance with state law.

10. Short-term Debt

In February 2013, the City entered into a lending agreement with Regions Bank for a tax anticipation note in the amount of \$1,000,000. The City drew a total of \$450,000 on this lending agreement. On December 6, 2013, the City repaid the note plus \$3,179 in interest at a rate of 2.016%.

Short-term debt activity for the year ended December 31, 2013, is as follows:

	<u>Balance</u> <u>12/31/2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2013</u>
Governmental activities				
Notes payable	<u>\$ 0</u>	<u>\$ 450,000</u>	<u>\$ (450,000)</u>	<u>\$ 0</u>

11. Long-Term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities, while revenue bonds are issued for the construction and expansion of proprietary activities. General obligation bonds are direct obligations and pledge the full faith, credit and taxing powers of the City while revenue bonds pledge the revenues of the proprietary activity for repayment of the bond issues.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

11. Long-Term Debt (continued)

General Obligation Bonds

General obligation bonds have been issued for governmental activities and are comprised of the following individual issue at December 31, 2013:

\$2,540,000 2013 Taxable Revenue bonds due in annual installments through February 1, 2022; interest at 3.330% (\$2,540,000 outstanding); for a current refunding of the outstanding balance of the 1997 Series B Tax-Exempt Revenue Bonds and the 2009 Series A Taxable Refunding Revenue Bonds.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31:	Principal	Interest	Total
2014	\$ 275,000	\$ 48,990	\$ 323,990
2015	260,000	71,096	331,096
2016	270,000	62,271	332,271
2017	280,000	53,114	333,114
2018	290,000	43,623	333,623
2019-2022	1,165,000	75,340	1,240,340
Totals	<u>\$ 2,540,000</u>	<u>\$ 354,434</u>	<u>\$ 2,894,434</u>

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

11. Long-Term Debt (continued)

Revenue Bonds

Revenue bonds have been issued for business-type activities and are comprised of the following individual issues at December 31, 2013:

\$8,775,000 2013 Water and Sewerage Revenue Series Bonds due in annual installments through August 1, 2033; interest at 1.850 – 4.440% (\$8,775,000 outstanding); for the expansion of the water and sewer system in the City of Cedartown, and the current refunding of the 1998 Revenue Refunding Bonds, certain lending agreements with the Georgia Environmental Finance Authority, and a capital lease.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$ 255,000	\$ 273,133	\$ 528,133
2015	290,000	289,295	579,295
2016	295,000	283,515	578,515
2017	300,000	277,595	577,595
2018	305,000	271,595	576,595
2019-2023	1,640,000	1,256,118	2,896,118
2024-2028	2,510,000	964,005	3,474,005
2029-2033	3,180,000	419,702	3,599,702
Totals	<u>\$ 8,775,000</u>	<u>\$ 4,034,958</u>	<u>\$ 12,809,958</u>

Notes Payable

The City has entered into a lending agreement with the Georgia Environmental Facilities Authority in the original amount of \$2,300,442 for expansion of the City's water and sewerage system. At December 31, 2013, the balance of this note is \$1,353,582. Monthly installments of principal and interest are due through July 1, 2024; interest at 2.00%.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

11. Long-Term Debt (continued)

Notes Payable, continued

Annual debt service requirements for notes payable are as follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$ 116,003	\$ 26,015	\$ 142,018
2015	118,342	23,674	142,016
2016	120,731	21,285	142,016
2017	123,168	18,848	142,016
2018	125,654	16,362	142,016
2019-2023	667,353	42,727	710,080
2024	82,331	654	82,985
Totals	<u>\$ 1,353,582</u>	<u>\$ 149,565</u>	<u>\$ 1,503,147</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2013:

	Balance 12/31/2012	Additions	Deductions	Balance 12/31/2013	Due Within One Year
Governmental activities					
General obligation bonds	\$ 2,613,288	\$ 2,540,000	\$ (2,613,288)	\$ 2,540,000	\$ 275,000
Capital lease obligations	81,341	134,252	(74,522)	141,071	79,546
Compensated absences	205,296	218,749	(205,296)	218,749	218,749
Total governmental activities	<u>\$ 2,899,925</u>	<u>\$ 2,893,001</u>	<u>\$ (2,893,106)</u>	<u>\$ 2,899,820</u>	<u>\$ 573,295</u>
Business-type activities					
Revenue bonds	\$ 135,000	\$ 8,775,000	\$ (135,000)	\$ 8,775,000	\$ 255,000
Unamortized bond discount	0	(72,520)	1,209	(71,311)	0
Notes payable	4,319,857	0	(2,966,275)	1,353,582	116,003
Capital lease obligations	0	249,998	(48,496)	201,502	47,879
Compensated absences	43,302	38,664	(43,302)	38,664	38,664
Total business-type activities	<u>\$ 4,498,159</u>	<u>\$ 8,991,142</u>	<u>\$ (3,191,864)</u>	<u>\$ 10,297,437</u>	<u>\$ 457,546</u>

Revenue bond issue costs and discounts/premiums are amortized over the life of the related debt using the straight-line method. In prior years, capital lease obligations and compensated absences of the governmental activities and business-type activities were liquidated in the General Fund and the Water and Sewer Fund, respectively.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

12. Bond Refundings

On December 5, 2013, the City issued \$2,540,000 in Taxable Revenue Bonds, Series 2013, with an average interest rate of 3.22%. The Series 2013 bonds were issued to currently refund \$495,000 of outstanding Series 1997B Bonds with an interest rate of 5.25% and \$1,908,288 of outstanding Series 2009 Bonds with an interest rate of 5.25%. Net proceeds of \$2,461,241 (\$2,540,000 less \$78,759 in underwriting fees and other costs of issuance) were paid to redeem the bonds in full.

The City completed the current refunding to reduce its total debt service payments over the next 9 years by \$115,671 and to obtain an economic gain (the difference between the present value of the old debt and new debt service payments) of \$99,545.

On August 27, 2013, the City issued \$8,775,000 in Water and Sewerage Revenue Bonds, Series 2013, with an average interest rate of 3.07%. A portion of the Series 2013 bonds were issued to currently refund \$70,000 of outstanding Series 1998 Bonds with an interest rate of 4.4% and \$2,724,759 of outstanding notes payable with an average interest rate of 4.26%. Net proceeds of \$2,926,238 (\$8,775,000 less an original issue discount of \$72,520, less \$276,242 in underwriting fees and other costs of issuance, and less \$5,500,000 to be used for construction projects) were paid to redeem the debt in full.

The City completed the current refunding to reduce its total debt service payments over the next 16 years by \$374,688 and to obtain an economic gain (the difference between the present value of the old debt and new debt service payments) of \$365,180.

13. Changes in Beginning Balances

Governmental Activities

A prior period adjustment has been made to expense the beginning balance of debt issue costs and bond issue discounts incorrectly recorded as land. This adjustment decreased beginning net position by \$234,164.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

14. Pension Plan

Plan Description

The City of Cedartown is a participating member in the Georgia Municipal Employees Benefit System (GMEBS), a defined benefit plan ("Plan"), which is a service of Georgia Municipal Association (GMA). GMEBS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipalities in Georgia. The City elected to participate in GMEBS as of July 1, 1970, as a result of City Ordinance and a contract between the City and GMA. The Plan's assets may be used only for the payment of benefits to the members of the Plan, in accordance with the terms of the Plan. See Note 2 – Summary of Significant Accounting Policies for reporting of investments.

All full time City employees are eligible to participate in the Plan after completing one year of service. City Commissioners are eligible immediately. Benefits vest after five years of service. Participants become eligible to retire with unreduced benefits at age 65 with five years of service, age 60 with 20 years of service, or early retirement at age 55 with 10 years of service. Mayor and Commission are not subject to the five-year minimum service.

GMA issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Georgia Municipal Association at 21 Pryor Street, SW, Atlanta, Georgia 30303.

Vested employees who have reached the age of 65 and have completed five years of credited service are eligible to receive a monthly benefit, payable for life. The benefit is equal to 2.5% of the employee's average salary for the five highest years of employment multiplied by the years of credited service.

Vested employees who have reached age 55 with at least ten years of credited service are eligible to receive an early retirement benefit, payable monthly for life, reduced on an actuarial equivalent basis. Death benefits and optional forms of retirement income on an actuarial equivalent basis are also available.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

14. Pension Plan (continued)

Plan Description, continued

Current Membership is as follows:

Retirees and beneficiaries currently receiving benefits	74	
Terminated vested participants entitled to but not yet receiving benefits	35	
Active participants	102	
Total number of participants	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">211</td> </tr> </table>	211
211		

Funding Policy

The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The current rate is 22.72% of annual covered payroll. The Plan is a noncontributory participant plan. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of GASB Statement No. 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. The remaining amortization period at July 1, 2013, varies for the bases, with a net effective amortization period of 10 years. The City Commission provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

14. Pension Plan (continued)

Annual Pension Cost

For 2013, the City's annual pension cost of \$829,014 was equal to the City's required and actual contributions. The required contribution (projected to December 31, 2013) was computed as part of an actuarial valuation as of July 1, 2012. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 7.75 percent per year compounded annually, (b) projected salary increases ranging from 6.0 to 4.0 percent per year compounded annually (a range of 2.5 to 0.5 percent and 3.5 percent attributable to merit and inflation, respectively), (c) no post-retirement benefit increases.

Historical Trend Information

Historical trend information for annual pension cost and funding progress is as follows:

Schedule of Employer Contributions

<u>Plan Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2011	\$ 806,627	100%	\$ 0
12/31/2012	470,525	100%	0
12/31/2013	829,014	100%	0

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>(Funded) Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
7/1/2011	\$ 9,015,299	\$ 12,089,314	\$ 3,074,015	74.57%	\$ 3,420,231	89.88%
7/1/2012	9,533,480	12,710,169	3,176,689	75.01%	3,585,913	88.59%
7/1/2013	9,758,361	13,249,788	3,491,427	73.65%	3,453,438	101.10%

Additional ten year historical trend information can be found in separate reports issued by GMA, which provides information about progress made in accumulating sufficient assets to pay benefits when due. The actuarial value of assets is calculated as the roll forward of prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains (losses) during 10 prior years.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

15. Other Post Employment Benefits

Plan Description

The City of Cedartown provides post employment health care benefits as a participating member in the Georgia Municipal Employees Benefit System (GMEBS), a defined benefit other post employment benefit (OPEB) plan ("Plan"), which is a service of Georgia Municipal Association (GMA). GMEBS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipalities in Georgia. The City elected to participate in GMEBS as of July 1, 2011, as a result of City Ordinance and a contract between the City and GMA. The Plan's assets may be used only for the payment of benefits to the members of the Plan, in accordance with the terms of the Plan. See Note 2 – Summary of Significant Accounting Policies for reporting of investments.

City employees who retired with 20 years of service are eligible to participate in the Plan.

GMA issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Georgia Municipal Association at 21 Pryor Street, SW, Atlanta, Georgia 30303.

Current Membership is as follows:

Retirees and beneficiaries currently receiving benefits	41
Active participants	<u>104</u>
Total number of participants	<u><u>145</u></u>

The funding policy for the plan is to contribute an amount equal to the benefit and administrative costs paid on behalf of retirees and their dependents (ie, pay-as-you-go basis). Plan members receiving benefits are no required to contribute to the Plan.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

15. Other Post Employment Benefits (continued)

Funding Policy

The recommended contribution meets the guidelines for calculating an annual required contribution set forth in GASB Statement No. 45. These contributions are determined under the unit credit actuarial cost method and the market value of assets for developing the actuarial value of assets. The unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2013 is 20 years. The City Commission provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy.

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

15. Other Post Employment Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation

For 2013, the City's annual OPEB cost of \$258,485 was equal to the City's recommended contribution, as calculated on the pay-as-you go basis. The recommended contribution was computed as part of an actuarial valuation as of July 1, 2011. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 4.0 percent per year compounded annually, (b) a rate of inflation of 3.5 percent, (c) no post-retirement benefit increases, and (d) a medical and drug cost trend rate of 9.5 percent, graded to 5.0 percent over 9 years.

Annual required contribution	\$ 274,910
Interest on net OPEB obligation	20,362
Adjustment to ARC	<u>(36,787)</u>
Annual OPEB cost	258,485
Contributions made	<u>(65,263)</u>
Increase (decrease) in net OPEB obligation	193,222
Net OPEB obligation - beginning of year	<u>509,044</u>
Net OPEB obligation - end of year	<u><u>\$ 702,266</u></u>

Historical Trend Information

Historical trend information for Annual OPEB Cost and funding progress is as follows:

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2011	\$ 205,416	60%	\$ 357,531
12/31/2012	227,395	33%	509,044
12/31/2013	258,485	25%	702,266

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

15. Other Post Employment Benefits (continued)

Historical Trend Information, continued

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	\$ 0	\$ 2,152,340	\$ 2,152,340	0.00%	\$ 3,281,400	65.59%

16. Hotel/Motel Lodging Tax

The City has levied an 8% lodging tax in accordance with Official Code of Georgia Annotated (OCGA) Section 48-13-51. The City is required to spend, of the total taxes collected, an amount equal to at least 33 1/3% for the purpose of promoting tourism, conventions, and trade shows, 16 2/3% for the purpose of marketing or operating a community auditorium or theater, and 33 1/3% for general recreation purposes. A summary of the transactions for the year ending December 31, 2012, follows:

Lodging tax receipts	\$74,759
Disbursements to promote tourism, conventions, and trade shows	\$75,000 100% of tax receipts

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

17. Joint Ventures

Under Georgia law, the City of Cedartown, in conjunction with other cities and counties in the northwest Georgia area, is a member of the Northwest Georgia Regional Commission (NWGRC) and is required to pay annual dues thereto. During its year ended December 31, 2013, the City paid \$9,775 in such dues. The City has no equity interest in the NWGRC nor does the City materially contribute to the continued existence of the NWGRC. 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 Northwest Georgia Regional Commission, PO Box 1798, Rome, GA 30162.

18. Related Organizations

The Housing Authority of the City of Cedartown is considered a related organization to the City of Cedartown. The City appoints members to the Authority, but does not have the ability to impose its will or create a financial benefit or burden for the Authority. The Authority provides low-income housing for the individuals in the City of Cedartown. The City received \$46,467 as payment-in-lieu-of-taxes for 2013. Separate financial statements may be obtained from the Housing Authority of the City of Cedartown, 344 West Ave., Cedartown, GA 30125.

19. Risk Management

Material estimates have been made by management about the life of depreciated fixed assets. Management has used a conservative approach on these estimates.

The City is exposed to various risks of loss related to torts; injuries to employees; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

19. Risk Management (continued)

As part of the risk pool, the City is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also obligated to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

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

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

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At December 31, 2013, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

20. Commitments and Contingencies

Commitments

The City has active construction projects as of December 31, 2013. At year end, the City's commitments with contractors are as follows:

Project	Amount Expended to Date	Remaining Commitment
Recreation improvements	\$ 22,500	\$ 225,000
Water and Sewer system improvements	829,582	3,944,253
Total	\$ 852,082	\$ 4,169,253

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

20. Commitments and Contingencies, (continued)

Contingencies

The City is a defendant in several lawsuit. Management intends to contest this open case vigorously. The City's legal counsel has stated that the outcome of this lawsuit is not presently determinable.

COMBINING STATEMENTS

Nonmajor Governmental Funds

**CITY OF CEDARTOWN, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2013**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Confiscated Assets</u>	<u>Hotel/Motel Tax</u>	
ASSETS			
Cash and cash equivalents	\$ 17,008	\$ 27,053	\$ 44,061
Taxes receivable	0	21,558	21,558
Total assets	<u>\$ 17,008</u>	<u>\$ 48,611</u>	<u>\$ 65,619</u>
LIABILITIES			
Due to other agencies	<u>\$ 784</u>	<u>\$ 0</u>	<u>\$ 784</u>
FUND BALANCES			
Restricted for Public Safety	16,224	0	16,224
Assigned for Housing and Development	0	48,611	48,611
Total fund balances	<u>16,224</u>	<u>48,611</u>	<u>64,835</u>
Total liabilities and fund balances	<u>\$ 17,008</u>	<u>\$ 48,611</u>	<u>\$ 65,619</u>

CITY OF CEDARTOWN, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2013

	Special Revenue		Total Nonmajor Governmental Funds
	Confiscated Assets	Hotel/Motel Tax	
REVENUES			
Taxes	\$ 0	\$ 74,759	\$ 74,759
Fees, fines, and forfeitures	33,113	0	33,113
Total revenues	<u>33,113</u>	<u>74,759</u>	<u>107,872</u>
EXPENDITURES			
Current			
Public Safety	26,103	0	26,103
Total expenditures	<u>26,103</u>	<u>0</u>	<u>26,103</u>
Excess (deficiency) of revenues over (under) expenditures	7,010	74,759	81,769
Other financing sources (uses)			
Transfers out	0	(75,000)	(75,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	7,010	(241)	6,769
Fund balances, January 1	9,214	48,852	58,066
Fund balances, December 31	<u>\$ 16,224</u>	<u>\$ 48,611</u>	<u>\$ 64,835</u>

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GENERAL FUND

The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

**CITY OF CEDARTOWN, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
December 31, 2013 and 2012**

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 154,785	\$ 153,410
Receivables (net)		
Taxes	1,138,670	1,324,958
Intergovernmental	22,655	5,767
Prepaid items	43,631	111,836
Due from other funds	86,302	10
Restricted assets		
Cash	206,402	18,224
Total assets	\$ 1,652,445	\$ 1,614,205
LIABILITIES		
Payables		
Accounts	\$ 124,651	\$ 223,574
Accrued salaries and payroll liabilities	92,662	89,909
Due to other agencies	45,027	36,461
Unearned revenue	75,765	51,600
Due to other funds	197,910	431,010
Total liabilities	536,015	832,554
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	305,601	403,935
FUND BALANCES		
Nonspendable prepaid items	43,631	111,836
Restricted for:		
Public Safety	2,486	3,355
Public Works	14,892	9,122
Culture and Recreation	189,024	5,574
Housing and Development	0	173
Unassigned	560,796	247,656
Total fund balances	810,829	377,716
Total liabilities and fund balances	\$ 1,652,445	\$ 1,614,205

CITY OF CEDARTOWN, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Taxes	\$ 5,357,340	\$ 5,143,068
Licenses and permits	63,673	31,496
Fines, fees and forfeitures	232,894	366,950
Charges for services	158,400	206,233
Intergovernmental	282,414	237,004
Interest	91	78
Contributions	249,950	19,368
Other	55,932	134,135
	<u>6,400,694</u>	<u>6,138,332</u>
Total revenues		
EXPENDITURES		
Current		
General Government	968,414	941,213
Judicial	54,707	76,470
Public Safety	3,892,246	3,617,469
Public Works	1,059,044	902,709
Health and Welfare	65,316	64,857
Culture and Recreation	657,020	851,038
Housing and Development	174,633	189,750
Debt service		
Interest and other charges	10,755	22,629
	<u>6,882,135</u>	<u>6,666,135</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	<u>(481,441)</u>	<u>(527,803)</u>
Other financing sources (uses)		
Transfers in (out)		
Hotel/Motel Fund	75,000	73,000
Water and Sewer Fund	365,000	351,572
Solid Waste Enterprise Fund	449,854	449,032
Proceeds from the sale of capital assets	24,700	14,895
	<u>914,554</u>	<u>888,499</u>
Total other financing sources (uses)		
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	433,113	360,696
Fund balances, January 1	<u>377,716</u>	<u>17,020</u>
Fund balances, December 31	<u><u>\$ 810,829</u></u>	<u><u>\$ 377,716</u></u>

CITY OF CEDARTOWN, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2013
(with comparative actual amounts for the year ended December 31, 2012)

	2013			2012
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	\$ 2,038,362	\$ 2,010,373	\$ (27,989)	\$ 1,821,226
Motor vehicle tax	137,578	273,919	136,341	144,179
Cost, penalties, and interest	45,000	57,426	12,426	46,505
Total general property taxes	2,220,940	2,341,718	120,778	2,011,910
Local option sales tax	1,468,000	1,358,384	(109,616)	1,472,494
Intangible tax	2,000	7,945	5,945	1,564
Real estate transfer tax	3,000	2,158	(842)	6,189
Franchise tax	792,000	722,471	(69,529)	725,071
Insurance premium tax	470,000	502,944	32,944	485,746
Alcoholic beverage excise tax	250,000	242,951	(7,049)	247,924
Occupational tax	170,000	178,769	8,769	192,170
Total taxes	5,375,940	5,357,340	(18,600)	5,143,068
Licenses and Permits				
Alcohol licenses	0	1,498	1,498	2,517
Building permits	23,800	62,175	38,375	28,979
Total licenses and permits	23,800	63,673	39,873	31,496
Fines, fees and forfeitures	312,700	232,894	(79,806)	366,950
Charges for Services				
Police services	60,400	73,801	13,401	78,705
Fire protection	31,180	29,038	(2,142)	31,462
Recreation	14,250	15,112	862	65,123
Cemetery	25,200	38,770	13,570	29,160
Other	2,800	1,679	(1,121)	1,783
Total charges for services	133,830	158,400	24,570	206,233
Intergovernmental				
Grants	138,675	115,962	(22,713)	141,193
Other	135,450	166,452	31,002	95,811
Total intergovernmental	274,125	282,414	8,289	237,004
Interest	0	91	91	78
Contributions	170,015	249,950	79,935	19,368
Other	53,000	55,932	2,932	134,135
Total revenues	<u>\$ 6,343,410</u>	<u>\$ 6,400,694</u>	<u>\$ 57,284</u>	<u>\$ 6,138,332</u>

CITY OF CEDARTOWN, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2013
(with comparative actual amounts for the year ended December 31, 2012)

	2013			2012
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
City Commission				
Personal services	\$ 108,274	\$ 114,323	\$ (6,049)	\$ 95,011
Contract services	82,758	48,846	33,912	65,230
Supplies and materials	8,350	25,994	(17,644)	8,587
Capital outlay	0	0	0	13,125
Total City Commission	<u>199,382</u>	<u>189,163</u>	<u>10,219</u>	<u>181,953</u>
City Manager				
Personal services	110,679	100,944	9,735	110,969
Contract services	3,221	1,651	1,570	4,045
Supplies and materials	2,750	1,299	1,451	2,580
Total City Manager	<u>116,650</u>	<u>103,894</u>	<u>12,756</u>	<u>117,594</u>
Administration				
Personal services	209,466	210,182	(716)	189,395
Contract services	242,478	139,005	103,473	159,296
Supplies and materials	39,500	49,678	(10,178)	9,927
Capital outlay	0	92,983	(92,983)	0
Total Administration	<u>491,444</u>	<u>491,848</u>	<u>(404)</u>	<u>358,618</u>
Elections				
Supplies and materials	3,550	2,649	901	1,550
Information Technology				
Personal services	25,961	27,261	(1,300)	24,420
Contract services	1,675	374	1,301	596
Supplies and materials	0	0	0	1,506
Total Information Technology	<u>27,636</u>	<u>27,635</u>	<u>1</u>	<u>26,522</u>
Finance				
Personal services	84,389	89,392	(5,003)	90,593
Contract services	65,290	61,511	3,779	52,866
Supplies and materials	1,500	2,322	(822)	0
Total Finance	<u>151,179</u>	<u>153,225</u>	<u>(2,046)</u>	<u>143,459</u>
General Plant and Building				
Contract services	0	0	0	68,100
Supplies and materials	0	0	0	43,417
Total General Plant and Building	<u>0</u>	<u>0</u>	<u>0</u>	<u>111,517</u>
Total General Government	<u>989,841</u>	<u>968,414</u>	<u>21,427</u>	<u>941,213</u>
Judicial				
Municipal Court				
Personal services	47,530	48,374	(844)	48,054
Contract Services	23,330	6,333	16,997	28,416
Total Judicial	<u>70,860</u>	<u>54,707</u>	<u>16,153</u>	<u>76,470</u>

CITY OF CEDARTOWN, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2013

(with comparative actual amounts for the year ended December 31, 2012)

	2013			2012
	Final Budget	Actual	Variance	Actual
Public Safety				
Police Department				
Personal services	\$ 2,179,571	\$ 2,241,888	\$ (62,317)	\$ 2,043,586
Contract services	240,992	179,772	61,220	159,391
Supplies and materials	137,900	135,134	2,766	142,315
Total Police Department	<u>2,558,463</u>	<u>2,556,794</u>	<u>1,669</u>	<u>2,345,292</u>
Fire Department				
Personal services	1,208,911	1,227,108	(18,197)	1,162,333
Contract services	66,736	58,327	8,409	60,893
Supplies and materials	56,622	50,017	6,605	48,951
Total Fire Department	<u>1,332,269</u>	<u>1,335,452</u>	<u>(3,183)</u>	<u>1,272,177</u>
Total Public Safety	<u>3,890,732</u>	<u>3,892,246</u>	<u>(1,514)</u>	<u>3,617,469</u>
Public Works				
Highways and Streets				
Personal services	510,527	506,178	4,349	495,486
Contract services	112,039	97,024	15,015	57,893
Supplies and materials	99,500	120,296	(20,796)	72,675
Total Highways and Streets	<u>722,066</u>	<u>723,498</u>	<u>(1,432)</u>	<u>626,054</u>
Street Lighting				
Contract services	0	0	0	180
Supplies and materials	161,000	160,500	500	148,078
Total Street Lighting	<u>161,000</u>	<u>160,500</u>	<u>500</u>	<u>148,258</u>
Maintenance Shop				
Personal services	0	0	0	28,282
Contract services	0	0	0	2,482
Supplies and materials	0	0	0	8,389
Total Maintenance Shop	<u>0</u>	<u>0</u>	<u>0</u>	<u>39,153</u>
Cemetery				
Personal services	145,990	157,613	(11,623)	68,487
Contract services	14,469	8,183	6,286	7,036
Supplies and materials	14,300	9,250	5,050	13,721
Total Cemetery	<u>174,759</u>	<u>175,046</u>	<u>(287)</u>	<u>89,244</u>
Total Public Works	<u>1,057,825</u>	<u>1,059,044</u>	<u>(1,219)</u>	<u>902,709</u>
Health and Welfare				
Transportation				
Personal services	33,113	46,333	(13,220)	47,416
Contract services	21,622	10,851	10,771	8,202
Supplies and materials	11,000	8,132	2,868	9,239
Total Health and Welfare	<u>65,735</u>	<u>65,316</u>	<u>419</u>	<u>64,857</u>

CITY OF CEDARTOWN, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2013
(with comparative actual amounts for the year ended December 31, 2012)

	2013			2012
	Final Budget	Actual	Variance	Actual
Culture and Recreation				
Parks and Recreation				
Personal services	\$ 223,695	\$ 209,731	\$ 13,964	\$ 344,809
Contract services	107,566	93,631	13,935	123,156
Supplies and materials	139,550	120,933	18,617	176,098
Capital outlay	0	22,500	(22,500)	0
Total Parks and Recreation	<u>470,811</u>	<u>446,795</u>	<u>24,016</u>	<u>644,063</u>
Library				
Contract services	66,699	67,751	(1,052)	64,572
Supplies and materials	20,700	18,147	2,553	17,853
Total Library	<u>87,399</u>	<u>85,898</u>	<u>1,501</u>	<u>82,425</u>
Agency allocations				
Civic Arts Commission	124,838	124,327	511	124,550
Total Culture and Recreation	<u>683,048</u>	<u>657,020</u>	<u>26,028</u>	<u>851,038</u>
Housing and Development				
Inspections				
Personal services	61,646	39,704	21,942	55,551
Contract services	4,503	3,207	1,296	3,200
Supplies and materials	2,725	2,201	524	2,424
Total Inspections	<u>68,874</u>	<u>45,112</u>	<u>23,762</u>	<u>61,175</u>
Code Enforcement				
Personal services	58,414	60,315	(1,901)	53,237
Contract services	2,763	2,034	729	1,916
Supplies and materials	2,250	1,466	784	1,587
Total Code Enforcement	<u>63,427</u>	<u>63,815</u>	<u>(388)</u>	<u>56,740</u>
Agency allocations				
Downtown Cedartown Association	67,894	65,706	2,188	65,168
Downtown Development Authority	20,000	0	20,000	6,667
Total Agency allocations	<u>87,894</u>	<u>65,706</u>	<u>22,188</u>	<u>71,835</u>
Total Housing and Development	<u>220,195</u>	<u>174,633</u>	<u>45,562</u>	<u>189,750</u>
Total current	6,978,236	6,871,380	106,856	6,643,506
Debt service				
Interest and other charges	<u>20,000</u>	<u>10,755</u>	<u>9,245</u>	<u>22,629</u>
Total expenditures	<u><u>\$ 6,998,236</u></u>	<u><u>\$ 6,882,135</u></u>	<u><u>\$ 116,101</u></u>	<u><u>\$ 6,666,135</u></u>

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SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Confiscated Assets Fund - This fund is used to account for the cash received either from a cash confiscation or cash received from a sale of capital assets acquired from a drug raid.

Hotel/Motel Tax Fund - This fund is used to collect Hotel/Motel taxes which are used to support trade and tourism in the City of Cedartown.

**CITY OF CEDARTOWN, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2013 and 2012**

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 17,008	\$ 11,898
LIABILITIES		
Due to other agencies	\$ 784	\$ 2,684
FUND BALANCES		
Restricted for Public Safety	16,224	9,214
Total liabilities and fund balances	\$ 17,008	\$ 11,898

CITY OF CEDARTOWN, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2013
(with comparative actual amounts for the year ended December 31, 2012)

	<u>2013</u>			<u>2012</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Fines, fees, and forfeitures	\$ 31,225	\$ 33,113	\$ 1,888	\$ 28,958
Total revenues	<u>31,225</u>	<u>33,113</u>	<u>1,888</u>	<u>28,958</u>
EXPENDITURES				
Current				
Public Safety				
Supplies and materials	26,035	26,103	(68)	25,375
Total expenditures	<u>26,035</u>	<u>26,103</u>	<u>(68)</u>	<u>25,375</u>
Excess (deficiency) of revenues over (under) expenditures	5,190	7,010	1,820	3,583
Other financing sources (uses)				
Contingency	(5,190)	0	5,190	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	7,010	7,010	3,583
Fund balances, January 1	0	9,214	9,214	5,631
Fund balances, December 31	<u>\$ 0</u>	<u>\$ 16,224</u>	<u>\$ 16,224</u>	<u>\$ 9,214</u>

CITY OF CEDARTOWN, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 27,053	\$ 25,168
Taxes receivable	21,558	23,684
Total assets	\$ 48,611	\$ 48,852
 FUND BALANCES		
Restricted for Housing and Development	\$ 0	\$ 375
Assigned for Housing and Development	48,611	48,477
Total fund balances	\$ 48,611	\$ 48,852

CITY OF CEDARTOWN, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2013
(with comparative actual amounts for the year ended December 31, 2012)

	<u>2013</u>			<u>2012</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Hotel/Motel taxes	\$ 75,000	\$ 74,759	\$ (241)	\$ 87,008
Total revenues	<u>75,000</u>	<u>74,759</u>	<u>(241)</u>	<u>87,008</u>
EXPENDITURES				
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	75,000	74,759	(241)	87,008
Other financing sources (uses)				
Transfers in (out)				
General Fund	<u>(75,000)</u>	<u>(75,000)</u>	<u>0</u>	<u>(73,000)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(241)	(241)	14,008
Fund balances, January 1	<u>0</u>	<u>48,852</u>	<u>48,852</u>	<u>34,844</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 48,611</u></u>	<u><u>\$ 48,611</u></u>	<u><u>\$ 48,852</u></u>

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CAPITAL PROJECTS FUND

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of specifically planned projects (other than those financed by proprietary funds).

Special Purpose Local Option Sales Tax Fund – This fund is used to account for long-term projects financed by the passage of the special purpose local option sales tax.

**CITY OF CEDARTOWN, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 410,962	\$ 143,040
Receivables		
Accounts	48,214	0
Intergovernmental	197,950	658,826
Due from other funds	0	25,000
Restricted assets		
Cash and cash equivalents	<u>223,843</u>	<u>259,753</u>
Total assets	<u><u>\$ 880,969</u></u>	<u><u>\$ 1,086,619</u></u>
 LIABILITIES		
Payables		
Accounts	\$ 94,699	\$ 221,100
Retainages	29,730	48,532
Due to other funds	<u>63,396</u>	<u>10</u>
 Total liabilities	<u>187,825</u>	<u>269,642</u>
 FUND BALANCES		
Restricted for:		
Debt service	220,360	285,476
Capital projects	466,170	531,501
Assigned for debt service	<u>6,614</u>	<u>0</u>
 Total fund balances	<u>693,144</u>	<u>816,977</u>
 Total liabilities and fund balances	<u><u>\$ 880,969</u></u>	<u><u>\$ 1,086,619</u></u>

CITY OF CEDARTOWN, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Intergovernmental	\$ 1,413,941	\$ 1,999,865
Interest	99	106
Contributions	0	24,910
Other	8,845	0
	<u>1,422,885</u>	<u>2,024,881</u>
Total revenues	<u>1,422,885</u>	<u>2,024,881</u>
EXPENDITURES		
Capital outlay		
General Government		
Administration	137,576	0
General Plant and Buildings	36,131	17,802
Public Safety		
Police	49,872	39,738
Fire	15,065	6,750
Public Works		
Streets	375,661	863,398
Culture and Recreation		
Parks and Recreation	14,091	10,692
Library	0	49,126
Debt service		
Principal	2,688,168	225,458
Interest and fiscal charges	197,983	197,207
Debt issue costs	83,912	0
	<u>3,598,459</u>	<u>1,410,171</u>
Total expenditures	<u>3,598,459</u>	<u>1,410,171</u>
Excess of revenues over (under) expenditures	<u>(2,175,574)</u>	<u>614,710</u>
Other financing sources (uses)		
Transfers in (out)		
Water and Sewer Fund	(622,511)	(529,984)
Issuance of bonds payable	2,540,000	0
Issuance of capital lease	134,252	0
	<u>2,051,741</u>	<u>(529,984)</u>
Total other financing sources (uses)	<u>2,051,741</u>	<u>(529,984)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(123,833)	84,726
Fund balances, January 1	<u>816,977</u>	<u>732,251</u>
Fund balances, December 31	<u>\$ 693,144</u>	<u>\$ 816,977</u>

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ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The funds are self-supporting in nature where the costs, including depreciation, of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Water and Sewer Fund - Used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Cedartown.

Solid Waste Fund - Used to account for activities connected with the collection and disposal of residential, commercial, industrial, and institutional solid waste in the City of Cedartown.

CITY OF CEDARTOWN, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 199,983	\$ 299,730
Receivables		
Accounts (net)	330,001	291,355
Intergovernmental	312,043	0
Inventory	16,399	24,737
Prepaid items	35,520	0
Due from other funds	261,296	409,646
	1,155,242	1,025,468
Total current assets		
Restricted assets		
Construction Fund		
Cash and cash equivalents	5,597,916	142,490
Bond Redemption		
Cash and cash equivalents	272,944	83,610
Customer Deposits		
Cash and cash equivalents	119,216	136,501
	5,990,076	362,601
Total restricted assets		
Capital assets		
Land	1,245,358	1,245,358
Buildings	122,155	89,760
Vehicles	733,523	483,525
Furniture and fixtures	4,979	4,979
Distribution system	21,027,803	20,736,494
Machinery and equipment	556,162	538,504
Construction in progress	1,288,290	404,371
Accumulated depreciation	(10,555,338)	(10,040,992)
	14,422,932	13,461,999
Total capital assets (net of accumulated depreciation)		
Total assets	21,568,250	14,850,068

CITY OF CEDARTOWN, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	2013	2012
LIABILITIES		
Current liabilities		
Accounts payable	\$ 29,487	\$ 36,282
Accrued salaries and payroll liabilities	18,603	16,009
Unearned revenue	0	114,640
Compensated absences	38,664	43,302
Due to other funds	0	25,000
Capital lease payable	47,879	0
Notes payable	116,003	241,524
	250,636	476,757
Current liabilities payable from restricted assets		
Payables		
Accounts	408,166	27,850
Retainages	48,995	0
Interest	112,096	17,449
Customer deposits payable	119,216	136,501
Revenue bonds payable	255,000	65,000
	943,473	246,800
Long-term liabilities		
Net OPEB obligation	112,423	80,532
Capital lease payable	153,623	0
Notes payable	1,237,579	4,078,333
Revenue bonds payable	8,448,689	70,000
	9,952,314	4,228,865
Total liabilities	11,146,423	4,952,422
NET POSITION		
Net investment in capital assets	9,304,914	8,979,292
Restricted for:		
Capital outlay	0	114,640
Debt service	160,848	66,161
Unrestricted	956,065	737,553
	9,304,914	8,979,292
Total net position	\$ 10,421,827	\$ 9,897,646

CITY OF CEDARTOWN, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Charges for sales and services		
Water and sewer charges	\$ 2,250,119	\$ 2,209,602
Tap fees	1,720	2,405
Penalties and other services	300,011	211,191
Other	<u>3,372</u>	<u>1,411</u>
Total operating revenues	<u>2,555,222</u>	<u>2,424,609</u>
OPERATING EXPENSES		
Cost of sales and services	692,511	642,503
Personal services	978,119	894,570
Depreciation	<u>531,220</u>	<u>483,006</u>
Total operating expenses	<u>2,201,850</u>	<u>2,020,079</u>
Operating income (loss)	<u>353,372</u>	<u>404,530</u>
Non-operating revenues (expenses)		
Interest revenue	276	285
Other expense	(602)	0
Interest expense	(285,543)	(178,502)
Debt issue costs	<u>(225,801)</u>	<u>0</u>
Total non-operating revenues (expenses)	<u>(511,670)</u>	<u>(178,217)</u>
Net income (loss) before capital contributions and transfers	<u>(158,298)</u>	<u>226,313</u>
Capital contributions		
Capital contributions	112,925	120,360
Intergovernmental	<u>312,043</u>	<u>0</u>
Total capital contributions	<u>424,968</u>	<u>120,360</u>
Net income (loss) before transfers	<u>266,670</u>	<u>346,673</u>
Transfers in (out)		
General Fund	(365,000)	(351,572)
SPLOST Fund	<u>622,511</u>	<u>529,984</u>
Total transfers	<u>257,511</u>	<u>178,412</u>
Change in net position	524,181	525,085
Net position, January 1	<u>9,897,646</u>	<u>9,372,561</u>
Net position, December 31	<u><u>\$ 10,421,827</u></u>	<u><u>\$ 9,897,646</u></u>

CITY OF CEDARTOWN, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Receipts from customers	\$ 2,495,919	\$ 2,401,375
Payments to suppliers	(690,968)	(645,603)
Payments to employees	(948,272)	(861,079)
Other receipts	3,372	1,411
Net cash provided (used) by operating activities	<u>860,051</u>	<u>896,104</u>
Cash flows from non-capital financing activities:		
Receipts from other funds	148,350	2,274
Payments to other funds	(390,000)	(730,098)
Net cash provided (used) by non-capital financing activities	<u>(241,650)</u>	<u>(727,824)</u>
Cash flows from capital and related financing activities:		
Receipts from other funds	622,511	529,984
Receipts of capital contributions	0	235,000
Payments for acquisitions of capital assets	(784,994)	(394,769)
Payment of capital related accounts payable	(27,850)	0
Principal payments - promissory notes	(2,966,275)	(229,242)
Issuance of bonds payable	8,702,480	0
Principal payments - revenue bonds	(135,000)	(170,000)
Principal payments - capital leases	(48,496)	0
Debt issue costs	(261,923)	0
Interest paid	(191,402)	(182,156)
Net cash provided (used) by capital and related financing activities	<u>4,909,051</u>	<u>(211,183)</u>
Cash flows from investing activities:		
Proceeds from certificates of deposit	0	364,630
Interest received	276	285
Net cash provided (used) by investing activities	<u>276</u>	<u>364,915</u>
Net increase (decrease) in cash and cash equivalents	5,527,728	322,012
Cash and cash equivalents, January 1	<u>662,331</u>	<u>340,319</u>
Cash and cash equivalents, December 31	<u><u>\$ 6,190,059</u></u>	<u><u>\$ 662,331</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ 353,372</u>	<u>\$ 404,530</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	531,220	483,006
(Increase) decrease in accounts receivable	(38,646)	(23,316)
(Increase) decrease in inventory	8,338	5,821
Increase (decrease) in accounts payable	(6,795)	278
Increase (decrease) in intergovernmental payables	0	(9,200)
Increase (decrease) in net OPEB obligation	31,891	23,923
Increase (decrease) in payroll liabilities	(2,044)	9,568
Increase (decrease) in deposits payable	(17,285)	1,494
Total adjustments	<u>506,679</u>	<u>491,574</u>
Net cash provided (used) by operating activities	<u><u>\$ 860,051</u></u>	<u><u>\$ 896,104</u></u>

CITY OF CEDARTOWN, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash reconciliation:		
Cash and cash equivalents	\$ 199,983	\$ 299,730
Construction Fund		
Cash and cash equivalents	5,597,916	142,490
Bond Redemption		
Cash and cash equivalents	272,944	83,610
Customer Deposits		
Cash and cash equivalents	<u>119,216</u>	<u>136,501</u>
Total cash and cash equivalents	<u>\$ 6,190,059</u>	<u>\$ 662,331</u>

Noncash investing, capital, and financing activities:

Acquisition of capital assets through accounts payable totaled \$457,161 and \$27,850 for the years ended December 31, 2013 and 2012, respectively.

Acquisition of capital assets through capital leases totaled \$249,998 for the year ended December 31, 2013.

**CITY OF CEDARTOWN, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2013 and 2012**

	2013	2012
ASSETS		
Current assets		
Accounts receivable (net)	\$ 134,160	\$ 125,166
Due from other funds	0	21,364
Total assets	134,160	146,530
LIABILITIES		
Accounts payable	47,868	146,530
Due to other funds	86,292	0
Total liabilities	134,160	146,530
NET POSITION		
Unrestricted	\$ 0	\$ 0

CITY OF CEDARTOWN, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Charges for sales and services	\$ 1,030,588	\$ 1,025,923
Total operating revenue	<u>1,030,588</u>	<u>1,025,923</u>
OPERATING EXPENSES		
Cost of sales and services	<u>580,734</u>	<u>576,891</u>
Total operating expenses	<u>580,734</u>	<u>576,891</u>
Operating income (loss)	449,854	449,032
Transfers in (out)		
General Fund	<u>(449,854)</u>	<u>(449,032)</u>
Change in net position	0	0
Net position, January 1	<u>0</u>	<u>0</u>
Net position, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

CITY OF CEDARTOWN, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Receipts from customers	\$ 1,021,594	\$ 1,025,511
Payments to suppliers	<u>(679,396)</u>	<u>(479,626)</u>
Net cash provided (used) by operating activities	342,198	545,885
Cash flows from non-capital financing activities:		
Payments to other funds	<u>(342,198)</u>	<u>(545,885)</u>
Net increase (decrease) in cash and cash equivalents	0	0
Cash and cash equivalents, January 1	<u>0</u>	<u>0</u>
Cash and cash equivalents, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 449,854	\$ 449,032
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	(8,994)	(412)
Increase (decrease) in accounts payable	<u>(98,662)</u>	<u>97,265</u>
Total adjustments	<u>(107,656)</u>	<u>96,853</u>
Net cash provided (used) by operating activities	<u><u>\$ 342,198</u></u>	<u><u>\$ 545,885</u></u>

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INTERNAL SERVICE FUND

Internal service funds are used to account for the financing of goods and services provided to the departments of the government on a cost reimbursement basis.

Employee Benefits Fund - This fund is used to account for the cost of providing life and health insurance benefits to City employees and participating dependents.

CITY OF CEDARTOWN, GEORGIA
EMPLOYEE BENEFITS FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 32,712	\$ 32,466
Prepaid items	0	63,802
Total assets	32,712	96,268
LIABILITIES		
Current liabilities		
Unearned revenue	0	63,802
NET POSITION		
Unrestricted	\$ 32,712	\$ 32,466

**CITY OF CEDARTOWN, GEORGIA
EMPLOYEE BENEFITS FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
For the years ended December 31, 2013 and 2012**

	2013	2012
OPERATING REVENUES		
Interfund services provided	\$ 897,008	\$ 1,104,112
Total operating revenue	897,008	1,104,112
OPERATING EXPENSES		
Costs of services		
Insurance	896,762	1,060,409
Total operating expenses	896,762	1,060,409
Operating income (loss)	246	43,703
Net position, January 1	32,466	(11,237)
Net position, December 31	\$ 32,712	\$ 32,466

CITY OF CEDARTOWN, GEORGIA
EMPLOYEE BENEFITS FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 833,206	\$ 1,167,914
Payments to suppliers	(832,960)	(1,137,891)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	246	30,023
Cash and cash equivalents, January 1	<hr/>	<hr/>
	32,466	2,443
Cash and cash equivalents, December 31	<u><u>\$ 32,712</u></u>	<u><u>\$ 32,466</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ 246</u>	<u>\$ 43,703</u>
Adjustments to reconcile net income to net cash provided (used) by operating activities		
(Increase) decrease in prepaid items	63,802	(63,802)
Increase (decrease) in accounts payable	0	(13,680)
Increase (decrease) in unearned revenue	(63,802)	63,802
	<hr/>	<hr/>
Total adjustments	0	(13,680)
Net cash provided (used) by operating activities	<u><u>\$ 246</u></u>	<u><u>\$ 30,023</u></u>

COMPONENT UNITS

City of Cedartown Civic Arts Commission – The component unit is used to account for the operation of the Cedartown Civic Auditorium.

City of Cedartown Downtown Development Authority – This component unit is used to account for governmental revenues and contributions reserved for City business development.

Downtown Cedartown Association – This component unit is used to account for governmental revenues and contributions reserved for the vitalization of the City of Cedartown downtown area.

CITY OF CEDARTOWN, GEORGIA
CEDARTOWN CIVIC ARTS COMMISSION (A COMPONENT UNIT)
COMPARATIVE BALANCE SHEETS
December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 34,722	\$ 5,927
Accounts receivable	1,121	517
Total assets	\$ 35,843	\$ 6,444
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 6,630	\$ 10,578
Fund balances		
Unassigned	29,213	(4,134)
Total liabilities and fund balances	\$ 35,843	\$ 6,444

CITY OF CEDARTOWN, GEORGIA
CEDARTOWN CIVIC ARTS COMMISSION (A COMPONENT UNIT)
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Intergovernmental	\$ 33,320	\$ 77,396
Charges for services	42,817	42,829
Contributions	4,547	0
Rent	7,018	8,299
Interest	4	0
Other	<u>1,729</u>	<u>8,655</u>
Total revenues	<u>89,435</u>	<u>137,179</u>
EXPENDITURES		
Current		
Culture and Recreation		
Personal services	1,050	25,555
Contract services	44,747	75,760
Supplies and materials	<u>10,291</u>	<u>34,259</u>
Total expenditures	<u>56,088</u>	<u>135,574</u>
Excess (deficiency) of revenues over (under) expenditures	33,347	1,605
Fund balances, January 1	<u>(4,134)</u>	<u>(5,739)</u>
Fund balances, December 31	<u><u>\$ 29,213</u></u>	<u><u>\$ (4,134)</u></u>

CITY OF CEDARTOWN, GEORGIA
DOWNTOWN CEDARTOWN ASSOCIATION (A COMPONENT UNIT)
COMPARATIVE BALANCE SHEETS
December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 16,186	\$ 20,959
Certificates of deposit	25,075	25,038
Accounts receivable	5,594	4,543
Inventory	2,971	3,276
Total assets	\$ 49,826	\$ 53,816
LIABILITIES		
Accounts payable	\$ 955	\$ 0
FUND BALANCES		
Nonspendable inventory	2,971	3,276
Assigned for Housing and Development	45,900	50,540
Total fund balances	48,871	53,816
Total liabilities and fund balances	\$ 49,826	\$ 53,816

CITY OF CEDARTOWN, GEORGIA
DOWNTOWN CEDARTOWN ASSOCIATION (A COMPONENT UNIT)
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2013
(with comparative actual amounts for the year ended December 31, 2012)

	<u>2013</u>			<u>2012</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Intergovernmental	\$ 67,894	\$ 65,706	\$ (2,188)	\$ 62,113
Charges for services	15,000	13,280	(1,720)	12,129
Interest	0	38	38	38
Contributions	0	14	14	2,000
Other	2,550	2,262	(288)	2,494
Total revenues	<u>85,444</u>	<u>81,300</u>	<u>(4,144)</u>	<u>78,774</u>
EXPENDITURES				
Current				
Housing and Development				
Personal services	52,328	53,387	(1,059)	49,882
Contract services	14,816	15,334	(518)	15,150
Supplies and materials	19,900	17,524	2,376	22,216
Capital outlay	0	0	0	7,155
Total expenditures	<u>87,044</u>	<u>86,245</u>	<u>799</u>	<u>94,403</u>
Excess (deficiency) of revenues over (under) expenditures	(1,600)	(4,945)	(3,345)	(15,629)
Fund balances, January 1	<u>1,600</u>	<u>53,816</u>	<u>52,216</u>	<u>69,445</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 48,871</u></u>	<u><u>\$ 48,871</u></u>	<u><u>\$ 53,816</u></u>

CITY OF CEDARTOWN, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)
COMPARATIVE BALANCE SHEETS
December 31, 2013 and 2012

	2013	2012
ASSETS		
Total assets	\$ 0	\$ 0
LIABILITIES		
Total liabilities	\$ 0	\$ 0
FUND BALANCES		
Assigned for Housing and Development	0	0
Total liabilities and fund balances	\$ 0	\$ 0

CITY OF CEDARTOWN, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2013
(with comparative actual amounts for the year ended December 31, 2012)

	<u>2013</u>			<u>2012</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 6,667
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,667</u>
EXPENDITURES				
Current				
Housing and Development				
Personal services	0	0	0	6,667
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,667</u>
Excess (deficiency) of revenues over (under) expenditures	0	0	0	0
Fund balances, January 1	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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OTHER REPORTING SECTION

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RUSHTON & COMPANY

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*

Honorable Chairman and Members
of the City Commission
City of Cedartown, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cedartown, Georgia, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Cedartown, Georgia's basic financial statements and have issued our report thereon dated June 26, 2014.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

Comment 13-1

Condition: During audit procedures on internal controls, we noted a lack of segregation of duties as the Chief Financial Officer currently has access to manual checkbooks, prepares deposits, prepares all bank reconciliations, and posts journal entries for the City.

Criteria: Proper segregation of duties require that the duties of authorizing and record adjustments to the general ledger be performed by different employees.

Effect: Failure to properly segregate the duties of authorizing and recording adjustments to the general ledger exposes the City to a greater risk of loss due to fraud.

Recommendation: In order to provide proper segregation of duties, the City Manager should review and approve all journal entries posted to the general ledger. The City Manager should also review all bank statements and reconciliations.

www.RushtonandCompany.com

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Comment 13-1, continued

Management Response: Management concurs with this finding. The City Manager will review and approve all journal entries posted to the general ledger. The City Manager will also review all bank statements and reconciliations. This action was taken immediately upon receipt of the comment from our auditors.

Comment 13-2

Condition: The 2012 financial statements for the Governmental Activities were restated to reflect amounts that were incorrectly capitalized as land in prior periods.

Criteria: Generally accepted accounting principles require that the capital asset records accurately reflect the assets owned and used by the City of Cedartown. Generally accepted accounting principles also require that assets be properly identified and classified in the City's records.

Effect: Failure to properly apply generally accepted accounting principles led to financial statements that were materially misstated

Recommendation: The Chief Financial Officer should review the capital asset listing to ensure that all capital assets are properly classified.

Management Response: Management concurs with this finding. The Chief Financial Officer will review the capital asset listing in order to verify that all capital assets are properly classified.

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 following deficiency in internal control to be a significant deficiency:

Comment 13-3

Condition: During audit procedures on cash disbursements in the Civic Arts Commission, we noted that for 22 of the 23 disbursements tested, approval for the disbursement was not evidence on the supporting documents.

Criteria: Proper internal controls require adequate segregation of duties in control over disbursements.

Effect: Failure to maintain adequate segregation of duties subjects the assets of the Commission's to greater risk of misappropriation.

Recommendation: We suggest that the Board members who are signing the checks also evidence their approval on the supporting documents.

Management Response: Management concurs with this finding. Management will advise the appropriate Board of Directors members to implement the recommendation. This action was taken immediately upon receipt of the comment from our auditors.

Compliance and Other Matters

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

City of Georgia, Georgia's Response to Findings

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

Purpose of this Report

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

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
June 26, 2014

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CITY OF CEDARTOWN, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2013

<u>Project</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
2008 Referendum					
Business Park	\$ 2,900,000	\$ 2,900,000	\$ 1,260,972	\$ 349,823	\$ 1,610,795
Water and Sewer Improvements and Equipment	2,237,900	2,237,900	1,633,030	545,779	2,178,809
Water Maintenance Equipment	600,000	600,000	15,625	61,732	77,357
Street, Sidewalks, and Storm Sewer Improvements and Equipment	1,400,000	1,400,000	889,509	299,251	1,188,760
Public Safety Equipment	600,000	600,000	501,974	92,268	594,242
Recreation and Park Improvements and Equipment	350,000	350,000	66,716	14,091	80,807
Public Land and Building Improvements	854,500	854,500	110,039	67,589	177,628
Total	\$ 8,942,400	\$ 8,942,400	\$ 4,477,865	\$ 1,430,533	\$ 5,908,398
Current year expenditures				\$ 1,430,533	
Expenditures financed through other revenues and transfers from other funds				2,790,437	
Total expenditures and transfers out of the SPLOST Capital Projects Fund				\$ 4,220,970	

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