



CITY OF CEDARTOWN, GEORGIA

Annual Financial Report

For the year ended December 31, 2014

***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, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2014, and the respective changes in the financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, 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 Schedule of Projects Financed with Special Purpose Local Option Sales Tax, 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 Schedule of Projects Financed with Special Purpose Local Option Sales Tax, 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 of America, the City of Cedartown, Georgia's basic financial statements for the year ended December 31, 2013, which are not presented with the accompanying financial statements. In our report dated June 26, 2014, 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 2013 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 2013 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 2013 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 2013 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 29, 2015, 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 29, 2015

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BASIC FINANCIAL STATEMENTS

CITY OF CEDARTOWN, GEORGIA
STATEMENT OF NET POSITION
December 31, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,022,219	\$ 787,819	\$ 1,810,038	\$ 61,244
Certificates of deposit	0	0	0	25,075
Restricted assets				
Cash and cash equivalents	524,249	1,601,529	2,125,778	0
Receivables (net)				
Accounts	7,500	460,376	467,876	6,277
Taxes	1,215,406	0	1,215,406	0
Intergovernmental	231,967	0	231,967	0
Notes	0	0	0	5,575
Prepaid items	83,362	52,845	136,207	0
Internal balances	485,568	(485,568)	0	0
Inventories	0	14,893	14,893	5,100
Total current assets	3,570,271	2,431,894	6,002,165	103,271
Noncurrent assets				
Notes receivable	0	0	0	94,435
Capital assets				
Non-depreciable	7,512,047	2,502,977	10,015,024	4,846
Depreciable (net)	8,915,066	16,014,363	24,929,429	41,829
Total noncurrent assets	16,427,113	18,517,340	34,944,453	141,110
Total assets	19,997,384	20,949,234	40,946,618	244,381
LIABILITIES				
Current liabilities				
Payables				
Accounts	60,906	92,049	152,955	2,234
Accrued salaries and payroll liabilities	136,658	22,924	159,582	0
Compensated absences	209,818	45,695	255,513	0
Unearned revenue	60,240	0	60,240	0
Due to other agencies	8,953	0	8,953	0
Capital lease payable	140,557	49,486	190,043	0
Notes payable	0	118,345	118,345	5,575
Liabilities payable from restricted assets				
Payables				
Accounts	0	308,560	308,560	0
Retainages	0	36,021	36,021	0
Interest	54,432	126,340	180,772	0
Customer deposits payable	0	150,171	150,171	0
Bonds payable	260,000	290,000	550,000	0
Total current liabilities	931,564	1,239,591	2,171,155	7,809

CITY OF CEDARTOWN, GEORGIA
STATEMENT OF NET POSITION
December 31, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Noncurrent liabilities				
Net OPEB obligation	\$ 676,260	\$ 129,506	\$ 805,766	\$ 0
Capital leases payable	649,136	104,137	753,273	0
Notes payable	0	1,119,232	1,119,232	94,435
Bonds payable	2,005,000	8,162,315	10,167,315	0
 Total noncurrent liabilities	 3,330,396	 9,515,190	 12,845,586	 94,435
 Total liabilities	 4,261,960	 10,754,781	 15,016,741	 102,244
 NET POSITION				
Net investment in capital assets	12,152,941	9,389,224	21,542,165	46,675
Restricted for:				
Public Safety	33,288	0	33,288	0
Public Works	20,292	0	20,292	0
Culture and Recreation	238,338	0	238,338	0
Capital outlay	790,944	150,005	940,949	0
Debt service	272,207	115,033	387,240	0
Unrestricted	2,227,414	540,191	2,767,605	95,462
 Total net position	 \$ 15,735,424	 \$ 10,194,453	 \$ 25,929,877	 \$ 142,137

CITY OF CEDARTOWN, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014

	<u>General</u>	<u>SPLOST</u>	<u>2014 SPLOST</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 352,428	\$ 388,781	\$ 170,882	\$ 80,157	\$ 992,248
Receivables (net)					
Accounts	0	7,500	0	0	7,500
Taxes	1,197,731	0	0	17,675	1,215,406
Intergovernmental	31,577	0	200,390	0	231,967
Prepaid items	83,362	0	0	0	83,362
Due from other funds	465,807	0	32,973	0	498,780
Restricted assets					
Cash and cash equivalents	261,624	262,625	0	0	524,249
Total assets	\$ 2,392,529	\$ 658,906	\$ 404,245	\$ 97,832	\$ 3,553,512
LIABILITIES					
Payables					
Accounts	\$ 60,906	\$ 0	\$ 0	\$ 0	\$ 60,906
Accrued salaries and payroll liabilities	136,658	0	0	0	136,658
Due to others	8,953	0	0	0	8,953
Unearned revenue	60,240	0	0	0	60,240
Due to other funds	13,212	0	0	0	13,212
Total liabilities	279,969	0	0	0	279,969
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	271,061	0	0	0	271,061
FUND BALANCES					
Nonspendable prepaid items	83,362	0	0	0	83,362
Restricted for:					
Public Safety	2,994	0	0	30,294	33,288
Public Works	20,292	0	0	0	20,292
Culture and Recreation	238,338	0	0	0	238,338
Debt service	0	272,207	0	0	272,207
Capital projects	0	386,699	404,245	0	790,944
Assigned for:					
Housing and Development	0	0	0	67,538	67,538
Unassigned	1,496,513	0	0	0	1,496,513
Total fund balances	1,841,499	658,906	404,245	97,832	3,002,482
Total liabilities, deferred inflows, and fund balances	\$ 2,392,529	\$ 658,906	\$ 404,245	\$ 97,832	\$ 3,553,512

CITY OF CEDARTOWN, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
December 31, 2014

Total fund balance - total governmental funds \$ 3,002,482

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:

Capital assets, net of accumulated depreciation 16,427,113

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:

Property taxes 271,061

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.

29,971

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

These are:

Compensated absences	\$	(209,818)	
Net OPEB obligation		(676,260)	
Interest payable		(54,432)	
Capital leases		(789,693)	
Bonds payable		(2,265,000)	
		(3,995,203)	(3,995,203)

Net position of governmental activities \$ 15,735,424

CITY OF CEDARTOWN, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2014

	General	SPLOST	2014 SPLOST	Nonmajor Governmental Funds	Total
REVENUES					
Taxes	\$ 5,493,247	\$ 0	\$ 0	\$ 88,927	\$ 5,582,174
Licenses and permits	30,512	0	0	0	30,512
Fines, fees and forfeitures	218,123	0	0	41,304	259,427
Charges for services	185,622	0	0	0	185,622
Intergovernmental	347,531	566,164	592,431	0	1,506,126
Interest	67	158	0	0	225
Contributions	726,851	0	0	0	726,851
Other	34,616	12,427	0	0	47,043
Total revenues	7,036,569	578,749	592,431	130,231	8,337,980
EXPENDITURES					
Current					
General Government	1,131,948	0	0	0	1,131,948
Judicial	28,675	0	0	0	28,675
Public Safety	3,883,921	0	0	27,234	3,911,155
Public Works	982,278	0	0	0	982,278
Health and Welfare	77,723	0	0	0	77,723
Culture and Recreation	1,292,456	0	0	0	1,292,456
Housing and Development	159,451	0	0	0	159,451
Capital outlay	0	921,033	43,383	0	964,416
Debt service	4,102	317,759	91,759	0	413,620
Total expenditures	7,560,554	1,238,792	135,142	27,234	8,961,722
Excess (deficiency) of revenues over (under) expenditures	(523,985)	(660,043)	457,289	102,997	(623,742)
Other financing sources (uses)					
Transfers in	1,504,364	0	0	0	1,504,364
Transfers out	0	(102,362)	(53,044)	(70,000)	(225,406)
Issuance of capital leases	0	728,167	0	0	728,167
Proceeds from sales of assets	3,250	0	0	0	3,250
Total other financing sources (uses)	1,507,614	625,805	(53,044)	(70,000)	2,010,375
Net change in fund balance	983,629	(34,238)	404,245	32,997	1,386,633
Fund balances, January 1 (original)	810,829	693,144	0	64,835	1,568,808
Prior period adjustments	47,041	0	0	0	47,041
Fund balances, January 1 (restated)	857,870	693,144	0	64,835	1,615,849
Fund balances, December 31	\$ 1,841,499	\$ 658,906	\$ 404,245	\$ 97,832	\$ 3,002,482

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, 2014

Net change in fund balances - total governmental funds \$ 1,386,633

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	\$ 1,629,340	
Depreciation	<u>(635,635)</u>	993,705

In the statement of activities, the loss on disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increase financial resources.

Cost of assets disposed	\$ 44,870	
Related accumulated depreciation	<u>(44,870)</u>	0

Net cost of capital asset transferred to component unit. (36,240)

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. (34,540)

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	\$ 354,545	
Debt proceeds	(728,167)	
Net change in interest payable	<u>(44,633)</u>	(418,255)

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. (2,741)

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	\$ 8,931	
Net OPEB obligation	<u>(86,417)</u>	<u>(77,486)</u>

Change in net position of governmental activities		<u>\$ 1,811,076</u>
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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, 2014

	Budget		Actual	Variance with
	Original	Final		Final Budget
REVENUES				
Taxes	\$ 5,251,400	\$ 5,251,400	\$ 5,493,247	\$ 241,847
Licenses and permits	27,500	27,500	30,512	3,012
Fines, fees and forfeitures	322,500	322,500	218,123	(104,377)
Charges for services	142,250	142,250	185,622	43,372
Intergovernmental	242,716	242,716	347,531	104,815
Interest	0	0	67	67
Contributions	0	0	726,851	726,851
Other	40,400	40,400	34,616	(5,784)
Total revenues	<u>6,026,766</u>	<u>6,026,766</u>	<u>7,036,569</u>	<u>1,009,803</u>
EXPENDITURES				
Current				
General Government				
City Commission	196,589	196,589	182,080	14,509
City Manager	118,110	118,110	107,858	10,252
Administration	564,578	564,578	542,993	21,585
Finance	261,988	261,988	280,771	(18,783)
General Plant and Building	0	0	18,246	(18,246)
Judicial				
Municipal Court	24,250	24,250	28,675	(4,425)
Public Safety				
Police Department	2,419,799	2,419,799	2,514,694	(94,895)
Fire Department	1,315,358	1,315,358	1,369,227	(53,869)
Public Works				
Highways and Streets	841,199	841,199	781,688	59,511
Cemetery	200,674	200,674	200,590	84
Health and Welfare				
Transportation	78,588	78,588	77,723	865
Culture and Recreation				
Parks and Recreation	439,244	439,244	1,121,723	(682,479)
Library	85,700	85,700	86,176	(476)
Agency allocations	82,450	82,450	84,557	(2,107)
Housing and Development				
Code Enforcement	77,667	77,667	74,346	3,321
Agency allocations	82,724	82,724	85,105	(2,381)
Debt Service				
Interest	0	0	4,102	(4,102)
Total expenditures	<u>6,788,918</u>	<u>6,788,918</u>	<u>7,560,554</u>	<u>(771,636)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(762,152)</u>	<u>(762,152)</u>	<u>(523,985)</u>	<u>238,167</u>

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, 2014

	Budget		Actual	Variance with
	Original	Final		Final Budget
Other financing sources (uses)				
Transfers in (out)				
Transfers in	\$ 815,000	\$ 815,000	\$ 1,504,364	\$ 689,364
Proceeds from sales of assets	12,500	12,500	3,250	(9,250)
Contingency	(65,348)	(65,348)	0	65,348
Total other financing sources (uses)	<u>762,152</u>	<u>762,152</u>	<u>1,507,614</u>	<u>745,462</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>0</u>	<u>0</u>	<u>983,629</u>	<u>983,629</u>
Fund balances, January 1 (original)	0	0	810,829	810,829
Prior period adjustments	<u>0</u>	<u>0</u>	<u>47,041</u>	<u>47,041</u>
Fund balances, January 1 (restated)	<u>0</u>	<u>0</u>	<u>857,870</u>	<u>857,870</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,841,499</u></u>	<u><u>\$ 1,841,499</u></u>

CITY OF CEDARTOWN, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014

	Business-Type Activities			Governmental
	Water and Sewer	Solid Waste	Totals	Internal Service Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 787,819	\$ 0	\$ 787,819	\$ 29,971
Restricted assets				
Cash and cash equivalents	1,601,529	0	1,601,529	0
Receivables				
Accounts (net)	329,633	130,743	460,376	0
Inventory	14,893	0	14,893	0
Prepaid items	52,845	0	52,845	0
Total current assets	<u>2,786,719</u>	<u>130,743</u>	<u>2,917,462</u>	<u>29,971</u>
Noncurrent assets				
Capital assets				
Non-depreciable	2,502,977	0	2,502,977	0
Depreciable (net)	16,014,363	0	16,014,363	0
Total noncurrent assets	<u>18,517,340</u>	<u>0</u>	<u>18,517,340</u>	<u>0</u>
Total assets	<u>21,304,059</u>	<u>130,743</u>	<u>21,434,802</u>	<u>29,971</u>
LIABILITIES				
Current liabilities				
Accounts payable	44,856	47,193	92,049	0
Accrued salaries and payroll liabilities	22,924	0	22,924	0
Compensated absences	45,695	0	45,695	0
Due to other funds	402,018	83,550	485,568	0
Capital leases payable	49,486	0	49,486	0
Notes payable	118,345	0	118,345	0
Liabilities payable from restricted assets:				
Payables				
Accounts	308,560	0	308,560	0
Retainages	36,021	0	36,021	0
Interest	126,340	0	126,340	0
Customer deposits payable	150,171	0	150,171	0
Revenue bonds payable	290,000	0	290,000	0
Total current liabilities	<u>1,594,416</u>	<u>130,743</u>	<u>1,725,159</u>	<u>0</u>
Noncurrent liabilities				
Net OPEB obligation	129,506	0	129,506	0
Capital leases payable	104,137	0	104,137	0
Notes payable	1,119,232	0	1,119,232	0
Revenue bonds payable	8,162,315	0	8,162,315	0
Total noncurrent liabilities	<u>9,515,190</u>	<u>0</u>	<u>9,515,190</u>	<u>0</u>
Total liabilities	<u>11,109,606</u>	<u>130,743</u>	<u>11,240,349</u>	<u>0</u>
NET POSITION				
Net investment in capital assets	9,389,224	0	9,389,224	0
Restricted for capital projects	150,005	0	150,005	0
Restricted for debt service	115,033	0	115,033	0
Unrestricted	540,191	0	540,191	29,971
Total net position	<u>\$ 10,194,453</u>	<u>\$ 0</u>	<u>\$ 10,194,453</u>	<u>\$ 29,971</u>

CITY OF CEDARTOWN, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2014

	Business-Type Activities			Governmental Activities
	Water and Sewer	Solid Waste	Totals	Internal Service Fund
OPERATING REVENUES				
Charges for sales and services	\$ 2,547,650	\$ 1,007,510	\$ 3,555,160	\$ 0
Interfund services provided	0	0	0	172,768
Other	4,156	0	4,156	0
Total operating revenues	2,551,806	1,007,510	3,559,316	172,768
OPERATING EXPENSES				
Costs of sales and services	614,624	581,496	1,196,120	175,509
Personal services	983,371	0	983,371	0
Depreciation	556,183	0	556,183	0
Total operating expenses	2,154,178	581,496	2,735,674	175,509
Operating income (loss)	397,628	426,014	823,642	(2,741)
Non-operating revenues (expenses)				
Interest revenue	262	0	262	0
Interest expense	(327,826)	0	(327,826)	0
Gain (loss) on sale of capital assets	30,550	0	30,550	0
Total non-operating revenues (expenses)	(297,014)	0	(297,014)	0
Net income (loss) before capital contributions and transfers	100,614	426,014	526,628	(2,741)
Capital contributions				
Capital contributions	336,999	0	336,999	0
Intergovernmental	187,957	0	187,957	0
Total capital contributions	524,956	0	524,956	0
Net income (loss) before transfers	625,570	426,014	1,051,584	(2,741)
Transfers in (out)				
Transfers in	155,406	0	155,406	0
Transfers out	(1,008,350)	(426,014)	(1,434,364)	0
Total transfers	(852,944)	(426,014)	(1,278,958)	0
Change in net position	(227,374)	0	(227,374)	(2,741)
Net position, January 1	10,421,827	0	10,421,827	32,712
Net position, December 31	\$ 10,194,453	\$ 0	\$ 10,194,453	\$ 29,971

CITY OF CEDARTOWN, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2014

	Business-Type Activities			Governmental Activities
	Water and Sewer	Solid Waste	Totals	Internal Service Fund
Cash flows from operating activities:				
Receipts from customers	\$ 2,578,973	\$ 1,010,927	\$ 3,589,900	\$ 0
Receipts from interfund services provided	0	0	0	172,768
Payments to suppliers	(616,880)	(582,171)	(1,199,051)	(175,509)
Payments to employees	(954,936)	0	(954,936)	0
Other receipts	4,156	0	4,156	0
Net cash provided (used) by operating activities	<u>1,011,313</u>	<u>428,756</u>	<u>1,440,069</u>	<u>(2,741)</u>
Cash flows from non-capital financing activities:				
Receipts from other funds	261,296	0	261,296	0
Payments to other funds	(606,332)	(428,756)	(1,035,088)	0
Net cash provided (used) by non-capital financing activities	<u>(345,036)</u>	<u>(428,756)</u>	<u>(773,792)</u>	<u>0</u>
Cash flows from capital and related financing activities:				
Receipts from other funds	155,406	0	155,406	0
Receipts of capital contributions	836,999	0	836,999	0
Proceeds from sale of capital assets	30,550	0	30,550	0
Payments for acquisitions of capital assets	(4,306,011)	0	(4,306,011)	0
Payments of capital related accounts payable	(408,166)	0	(408,166)	0
Payment of retainages payable	(48,995)	0	(48,995)	0
Principal payments - promissory notes	(116,005)	0	(116,005)	0
Principal payments - revenue bonds	(255,000)	0	(255,000)	0
Principal payments - capital leases	(47,879)	0	(47,879)	0
Interest paid	(308,149)	0	(308,149)	0
Net cash provided (used) by capital and related financing activities	<u>(4,467,250)</u>	<u>0</u>	<u>(4,467,250)</u>	<u>0</u>
Cash flows from investing activities:				
Interest received	262	0	262	0
Net increase (decrease) in cash and cash equivalents	(3,800,711)	0	(3,800,711)	(2,741)
Cash and cash equivalents, January 1	6,190,059	0	6,190,059	32,712
Cash and cash equivalents, December 31	<u><u>\$ 2,389,348</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 2,389,348</u></u>	<u><u>\$ 29,971</u></u>

CITY OF CEDARTOWN, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2014

	Business-Type Activities			Governmental
	Water and Sewer	Solid Waste	Totals	Activities Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 397,628	\$ 426,014	\$ 823,642	\$ (2,741)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	556,183	0	556,183	0
(Increase) decrease in accounts receivable	368	3,417	3,785	0
(Increase) decrease in prepaid items	(19,131)	0	(19,131)	0
(Increase) decrease in inventory	1,506	0	1,506	0
Increase (decrease) in accounts payable	15,369	(675)	14,694	0
Increase (decrease) in net OPEB obligation	17,083	0	17,083	0
Increase (decrease) in payroll liabilities	11,352	0	11,352	0
Increase (decrease) in deposits payable	30,955	0	30,955	0
Total adjustments	613,685	2,742	616,427	0
Net cash provided (used) by operating activities	<u>\$ 1,011,313</u>	<u>\$ 428,756</u>	<u>\$ 1,440,069</u>	<u>\$ (2,741)</u>
Cash and cash equivalents reconciliation:				
Cash and cash equivalents	\$ 787,819	\$ 0	\$ 787,819	\$ 29,971
Restricted assets				
Cash and cash equivalents	<u>1,601,529</u>	<u>0</u>	<u>1,601,529</u>	<u>0</u>
Total cash and cash equivalents	<u>\$ 2,389,348</u>	<u>\$ 0</u>	<u>\$ 2,389,348</u>	<u>\$ 29,971</u>

Noncash investing, capital, and financing activities:

Acquisition of capital assets through accounts payable totaled \$344,580 in the Water and Sewer Fund.

CITY OF CEDARTOWN, GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
December 31, 2014

	Cedartown Civic Arts Commission	Downtown Cedartown Association	Downtown Development Authority	Totals
ASSETS				
Current assets				
Cash and cash equivalents	\$ 47,344	\$ 12,869	\$ 1,031	\$ 61,244
Certificates of deposit	0	25,075	0	25,075
Accounts receivable	1,733	4,544	0	6,277
Notes receivable	0	0	5,575	5,575
Inventory	0	5,100	0	5,100
Total current assets	<u>49,077</u>	<u>47,588</u>	<u>6,606</u>	<u>103,271</u>
Noncurrent assets				
Notes receivable	0	0	94,435	94,435
Capital assets				
Non-depreciable	0	0	4,846	4,846
Depreciable (net)	1,086	9,872	30,871	41,829
Total noncurrent assets	<u>1,086</u>	<u>9,872</u>	<u>130,152</u>	<u>141,110</u>
Total assets	<u>50,163</u>	<u>57,460</u>	<u>136,758</u>	<u>244,381</u>
LIABILITIES				
Current liabilities				
Accounts payable	850	1,384	0	2,234
Notes payable	0	0	5,575	5,575
Total current liabilities	<u>850</u>	<u>1,384</u>	<u>5,575</u>	<u>7,809</u>
Noncurrent liabilities				
Notes payable	0	0	94,435	94,435
Total liabilities	<u>850</u>	<u>1,384</u>	<u>100,010</u>	<u>102,244</u>
NET POSITION				
Net investment in capital assets	1,086	9,872	35,717	46,675
Unrestricted	48,227	46,204	1,031	95,462
Total net position	<u>\$ 49,313</u>	<u>\$ 56,076</u>	<u>\$ 36,748</u>	<u>\$ 142,137</u>

CITY OF CEDARTOWN, GEORGIA
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the year ended December 31, 2014

	Cedartown Civic Arts Commission	Downtown Cedartown Association	Downtown Development Authority	Totals
Expenses				
Culture and Recreation	\$ 47,155	\$ 0	\$ 0	\$ 47,155
Housing and Development	0	86,260	3,547	89,807
Total expenses	47,155	86,260	3,547	136,962
Program revenues				
Charges for services	22,151	10,005	0	32,156
Operating grants and contributions	953	800	0	1,753
Capital grants and contributions	0	0	36,240	36,240
Total program revenues	23,104	10,805	36,240	70,149
Net (expense) revenue	(24,051)	(75,455)	32,693	(66,813)
General revenues				
Payments from City of Cedartown	41,918	69,830	0	111,748
Interest	12	0	1,438	1,450
Miscellaneous	5,999	6,295	2,617	14,911
Total general revenues	47,929	76,125	4,055	128,109
Change in net position	23,878	670	36,748	61,296
Net position, January 1 (original)	32,841	55,406	0	88,247
Prior period adjustment	(7,406)	0	0	(7,406)
Net position, January 1 (restated)	25,435	55,406	0	80,841
Net position, December 31	\$ 49,313	\$ 56,076	\$ 36,748	\$ 142,137

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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, 2014

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. Individual financial statements may be obtained by contacting the City of Cedartown Civic Arts Commission, 205 East Avenue, Cedartown, Georgia 30125.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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, 2014

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.

2014 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 2014 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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014.

The City did not adopt budgets for the Confiscated Assets and Hotel/Motel Tax Special Revenue Funds.

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, 2014, are recorded as prepaid items.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

2. Summary of Significant Accounting Policies (continued)

L. Capital Assets

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 in Years	Capitalization 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.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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, 2014

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, 2014, 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, 2014

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, 2014

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, 2014

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 2013 amounts have been reclassified to conform with the 2014 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, 2014, 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, 2014

4. Accounts Receivable

Net accounts receivable at December 31, 2014, consist of the following:

Major Funds		
SPLOST Capital Projects Fund		\$ 7,500
Enterprise Funds		
Water and Sewer	\$ 489,375	
Less: Allowances for Uncollectibles	(159,742)	
Solid Waste	157,195	
Less: Allowances for Uncollectibles	<u>(26,452)</u>	<u>460,376</u>
Total Primary Government		<u><u>\$ 467,876</u></u>
Component Units		
Cedartown Civic Arts Commission		\$ 1,733
Downtown Cedartown Association		<u>4,544</u>
Total Component Units		<u><u>\$ 6,277</u></u>

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2014, consist of the following:

Major Funds		
General Fund		
Housing Authority of the City of Cedartown		\$ 31,577
2014 SPLOST Capital Projects Fund		
State of Georgia		
Polk County, Georgia		<u>200,390</u>
Total Primary Government		<u><u>\$ 231,967</u></u>

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

6. Taxes Receivable

Property Taxes

Property taxes receivable as of December 31, 2014, consist of property taxes for seven years as follows:

Year of Levy	Amount
2014	\$ 307,013
2013	89,619
2012	55,316
2011	18,439
2010	16,596
2009	967
2008	622
	488,572
Less allowance for uncollectible	(112,015)
Total	\$ 376,557

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 2014, based upon the assessments of January 1, 2014, were billed in September 2014, and due on December 1, 2014. Tax liens can be issued 60 days after the due date. The tax rate of 11.337 mils for 2014 was levied on September 8, 2014.

Other Taxes

\$697,653 of franchise taxes, \$123,521 of sales taxes, and \$17,675 of hotel/motel taxes are also included in taxes receivable.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

7. Notes Receivable

Downtown Development Authority Component Unit

On April 18, 2014, the Downtown Development Authority entered into a lending agreement with a private entity in the original amount of \$104,000. This agreement is part of a lending agreement between the Authority and the Georgia Department of Community Affairs (See Note 11 for details). At December 31, 2014, the balance of this note is \$100,010. Monthly installments of \$669.25 principal and interest are due from the private entity through April 1, 2024, with unpaid principal and interest due May 1, 2024; interest at 2.00%.

Annual debt service requirements for notes receivable are as follows:

Year Ending December 31,	Principal	Interest	Total
2015	\$ 5,575	\$ 1,787	\$ 7,362
2016	6,199	1,832	8,031
2017	6,324	1,707	8,031
2018	6,452	1,579	8,031
2019	6,582	1,449	8,031
2020-2024	68,878	4,773	73,651
Totals	\$ 100,010	\$ 13,127	\$ 113,137

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

8. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables as of December 31, 2014 is as follows:

	Due from:			
	Major Funds			
	General	Water & Sewer	Solid Waste	Total
Due to:				
Major Funds				
General	\$ 0	\$ 382,257	\$ 83,550	\$ 465,807
2014 SPLOST	13,212	19,761	0	32,973
Total	\$ 13,212	\$ 402,018	\$ 83,550	\$ 498,780

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	\$ 1,008,350
	Solid Waste	426,014
	Nonmajor Governmental	70,000
Water and Sewer	SPLOST	102,362
	2014 SPLOST	53,044
		\$ 1,659,770

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, 2014

9. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2014 was as follows:

	Balance 12/31/2013	Increases	Decreases	Balance 12/31/2014
Governmental activities				
Non-depreciable assets				
Land	\$ 6,903,144	\$ 0	\$ (35,383)	\$ 6,867,761
Construction in progress	22,500	621,786	0	644,286
Total non-depreciable assets	<u>6,925,644</u>	<u>621,786</u>	<u>(35,383)</u>	<u>7,512,047</u>
Depreciable assets				
Land Improvements	0	376,180	0	376,180
Buildings	7,310,926	29,609	(12,130)	7,328,405
Infrastructure	4,403,865	0	0	4,403,865
Vehicles and equipment	4,798,304	601,765	(33,597)	5,366,472
Intangibles	36,000	0	0	36,000
Total depreciable assets	<u>16,549,095</u>	<u>1,007,554</u>	<u>(45,727)</u>	<u>17,510,922</u>
Accumulated depreciation				
Land Improvements	0	(37,245)	0	(37,245)
Buildings	(2,621,299)	(178,930)	11,273	(2,788,956)
Infrastructure	(1,105,321)	(219,140)	0	(1,324,461)
Vehicles and equipment	(4,271,271)	(193,120)	33,597	(4,430,794)
Intangibles	(7,200)	(7,200)	0	(14,400)
Total accumulated depreciation	<u>(8,005,091)</u>	<u>(635,635)</u>	<u>44,870</u>	<u>(8,595,856)</u>
Total depreciable assets, net	<u>8,544,004</u>	<u>371,919</u>	<u>(857)</u>	<u>8,915,066</u>
Governmental activities capital assets, net	<u>\$ 15,469,648</u>	<u>\$ 993,705</u>	<u>\$ (36,240)</u>	<u>\$ 16,427,113</u>
Business-type activities				
Non-depreciable assets				
Land	\$ 1,245,358	\$ 0	\$ 0	\$ 1,245,358
Construction in progress	1,288,290	4,541,014	(4,571,685)	1,257,619
Total non-depreciable assets	<u>2,533,648</u>	<u>4,541,014</u>	<u>(4,571,685)</u>	<u>2,502,977</u>
Depreciable assets				
Buildings	122,155	0	0	122,155
Distribution system	21,027,804	4,571,686	0	25,599,490
Vehicles and equipment	1,294,663	109,576	(230,778)	1,173,461
Total depreciable assets	<u>22,444,622</u>	<u>4,681,262</u>	<u>(230,778)</u>	<u>26,895,106</u>
Accumulated depreciation				
Buildings	(28,365)	(20,682)	0	(49,047)
Distribution system	(9,500,400)	(448,376)	0	(9,948,776)
Vehicles and equipment	(1,026,573)	(87,125)	230,778	(882,920)
Total accumulated depreciation	<u>(10,555,338)</u>	<u>(556,183)</u>	<u>230,778</u>	<u>(10,880,743)</u>
Total depreciable assets, net	<u>11,889,284</u>	<u>4,125,079</u>	<u>0</u>	<u>16,014,363</u>
Business-type activities capital assets, net	<u>\$ 14,422,932</u>	<u>\$ 8,666,093</u>	<u>\$ (4,571,685)</u>	<u>\$ 18,517,340</u>

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

9. Capital Assets (continued)

Capital asset activity for the Civic Arts Commission Component Unit, the Downtown Cedartown Association and the Downtown Development Authority Component Unit for the year ended December 31, 2014, was as follows:

	<u>Balance 12/31/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2014</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)	(2,174)	0	(6,411)
Machinery and equipment	(113,183)	(367)	0	(113,550)
Total accumulated depreciation	<u>(117,420)</u>	<u>(2,541)</u>	<u>0</u>	<u>(119,961)</u>
Total depreciable assets, net	<u>3,627</u>	<u>(2,541)</u>	<u>0</u>	<u>1,086</u>
Civic Arts Commission Component Unit capital assets, net	<u>\$ 3,627</u>	<u>\$ (2,541)</u>	<u>\$ 0</u>	<u>\$ 1,086</u>
Downtown Cedartown Association Component Unit				
Depreciable assets				
Machinery and equipment	\$ 14,032	\$ 4,571	\$ 0	\$ 18,603
Less accumulated depreciation				
Machinery and equipment	(7,497)	(1,234)	0	(8,731)
Total depreciable assets, net	<u>6,535</u>	<u>3,337</u>	<u>0</u>	<u>9,872</u>
Downtown Cedartown Association Component Unit capital assets, net	<u>\$ 6,535</u>	<u>\$ 3,337</u>	<u>\$ 0</u>	<u>\$ 9,872</u>
Downtown Development Authority Component Unit				
Non-depreciable assets				
Land	\$ 0	\$ 4,846	\$ 0	\$ 4,846
Total non-depreciable assets	<u>0</u>	<u>4,846</u>	<u>0</u>	<u>4,846</u>
Depreciable assets				
Buildings	0	31,394	0	31,394
Less accumulated depreciation				
Buildings	0	(523)	0	(523)
Total depreciable assets, net	<u>0</u>	<u>30,871</u>	<u>0</u>	<u>30,871</u>
Downtown Development Authority Component Unit capital assets, net	<u>\$ 0</u>	<u>\$ 35,717</u>	<u>\$ 0</u>	<u>\$ 35,717</u>

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

9. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental activities

General Government	\$ 178,397
Public Safety	98,038
Public Works	218,739
Health and Welfare	920
Culture and Recreation	<u>139,541</u>
Total depreciation expense for governmental activities	<u><u>\$ 635,635</u></u>

Business-type activities

Water and Sewer	<u><u>\$ 556,183</u></u>
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Component Units

Civic Arts Commission	2,541
Downtown Cedartown Association	1,234
Downtown Development Authority	<u>523</u>

Total depreciation expense for component units	<u><u>\$ 4,298</u></u>
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CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

10. 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, 2014, is \$789,693 and \$153,623 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, 2014:

Year Ending December 31,	Governmental activities	Business-type activities
2015	\$ 169,779	\$ 54,727
2016	138,678	54,727
2017	122,591	54,727
2018	122,591	0
2019	116,903	0
2020	116,903	0
2021	116,903	0
Total minimum lease payments	904,348	164,181
Less amounts representing interest	(114,655)	(10,558)
Present value of minimum lease payments	<u>\$ 789,693</u>	<u>\$ 153,623</u>

Total assets leased under capital leases are \$998,124 for governmental activities and are classified as vehicles and machinery and equipment. Total assets leased under capital leases are \$249,998 for business-type activities and are classified as vehicles. Amortization of leased equipment under capital assets is included with depreciation expense.

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

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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.

General Obligation Bonds

General obligation bonds have been issued for governmental activities and are comprised of the following individual issue at December 31, 2014:

\$2,540,000 2013 Taxable Revenue bonds due in annual installments through February 1, 2022; interest at 3.330% (\$2,265,000 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
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	295,000	33,883	328,883
2020-2022	870,000	41,457	911,457
Totals	<u>\$ 2,265,000</u>	<u>\$ 305,444</u>	<u>\$ 2,570,444</u>

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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, 2014:

\$8,775,000 2013 Water and Sewerage Revenue Series Bonds due in annual installments through August 1, 2033; interest at 1.850 – 4.440% (\$8,520,000 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
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	315,000	265,494	580,494
2020-2024	1,690,000	1,214,742	2,904,742
2025-2029	2,730,000	874,023	3,604,023
2030-2033	2,595,000	285,565	2,880,565
Totals	<u>\$ 8,520,000</u>	<u>\$ 3,761,824</u>	<u>\$ 12,281,824</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, 2014, the balance of this note is \$1,237,577. 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, 2014

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
2015	\$ 118,345	\$ 23,674	\$ 142,019
2016	120,731	21,285	142,016
2017	123,168	18,848	142,016
2018	125,654	16,362	142,016
2019	128,190	13,826	142,016
2020-2024	621,489	29,555	651,044
Totals	\$ 1,237,577	\$ 123,550	\$ 1,361,127

Downtown Development Authority Component Unit

On April 18, 2014, the Downtown Development Authority entered into a lending agreement with the Georgia Department of Community Affairs in the original amount of \$104,000. This agreement involves the Authority then loaning this money to a private business. At December 31, 2014, the balance of this note is \$100,010. Monthly installments of \$669.25 principal and interest are due through April 1, 2024, with unpaid principal and interest due May 1, 2024; interest at 2.00%.

Annual debt service requirements for notes payable are as follows:

Year Ending December 31,	Principal	Interest	Total
2015	\$ 5,575	\$ 1,787	\$ 7,362
2016	6,199	1,832	8,031
2017	6,324	1,707	8,031
2018	6,452	1,579	8,031
2019	6,582	1,449	8,031
2020-2024	68,878	4,773	73,651
Totals	\$ 100,010	\$ 13,127	\$ 113,137

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

11. Long-Term Debt (continued)

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, 2014:

	<u>Balance</u> <u>12/31/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2014</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities					
General obligation bonds	\$ 2,540,000	\$ 0	\$ (275,000)	\$ 2,265,000	\$ 260,000
Capital lease obligations	141,071	728,167	(79,545)	789,693	140,557
Compensated absences	218,749	209,818	(218,749)	209,818	209,818
Total governmental activities	<u>\$ 2,899,820</u>	<u>\$ 937,985</u>	<u>\$ (573,294)</u>	<u>\$ 3,264,511</u>	<u>\$ 610,375</u>
Business-type activities					
Revenue bonds	\$ 8,775,000	\$ 0	\$ (255,000)	\$ 8,520,000	\$ 290,000
Unamortized bond discount	(71,311)	0	3,626	(67,685)	0
Notes payable	1,353,582	0	(116,005)	1,237,577	118,345
Capital lease obligations	201,502	0	(47,879)	153,623	49,486
Compensated absences	38,664	45,695	(38,664)	45,695	45,695
Total business-type activities	<u>\$ 10,297,437</u>	<u>\$ 45,695</u>	<u>\$ (453,922)</u>	<u>\$ 9,889,210</u>	<u>\$ 503,526</u>
Downtown Development Authority Component Unit					
Notes payable	<u>\$ 0</u>	<u>\$ 104,000</u>	<u>\$ (3,990)</u>	<u>\$ 100,010</u>	<u>\$ 5,575</u>

Revenue bond 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.

The total interest incurred and charged to expense for the year ended December 31, 2014 was \$102,993 for governmental activities and \$327,826 for business-type activities.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

12. Restricted, Committed, and Assigned Fund Balances

The following is a summary of restricted, committed, and assigned fund balances of the governmental funds for the fiscal year ended December 31, 2014:

	<u>Nonmajor Governmental Funds</u>
Restricted for:	
Public Safety	
Police Department	<u>\$ 30,294</u>
Assigned to:	
Housing and Development	
Trade and tourism	<u>\$ 67,538</u>

13. Changes in Beginning Balances

Governmental Activities

A prior period adjustment has been made to adjust beginning fund balance for fines revenue of \$29,699 and tax revenue of \$17,342 that should have been accrued and recognized as revenue in 2013. This adjustment had a net increase effect of \$47,041 to fund balance of the General Fund and net position of Governmental Activities.

Component Units

A prior period adjustment has been made to decrease net position of the Cedartown Civic Arts Commission for overstating of deposit revenue in the prior year. This adjustment decreased net position by \$7,406.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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. City Commissioners 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.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

14. Pension Plan (continued)

Plan Description, continued

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.

Current Membership is as follows:

Retirees and beneficiaries currently receiving benefits	73
Terminated vested participants entitled to but not yet receiving benefits	35
Active participants	<u>100</u>
Total number of participants	<u><u>208</u></u>

Funding Policy

The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The current rate is 24.62% 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, 2014, 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, 2014

14. Pension Plan (continued)

Annual Pension Cost

For 2014, the City's annual pension cost of \$867,322 was equal to the City's required and actual contributions. The required contribution (projected to December 31, 2014) was computed as part of an actuarial valuation as of July 1, 2014. 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 4.0 to 6.0 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

Plan Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2012	\$ 470,525	100%	\$ 0
12/31/2013	829,014	100%	0
12/31/2014	867,322	100%	0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Funded) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
7/1/2014	10,371,137	13,798,725	3,427,588	75.16%	3,462,129	99.00%

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, 2014

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>99</u>
Total number of participants	<u><u>140</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 not required to contribute to the Plan.

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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, 2014 is 19 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, 2014

15. Other Post Employment Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation

For 2014, the City's annual OPEB cost of \$173,048 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, 2014. 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 7.5 percent, graded to 5.0 percent over 5 years.

Annual required contribution	\$ 197,471
Interest on net OPEB obligation	28,091
Adjustment to ARC	<u>(52,514)</u>
Annual OPEB cost	173,048
Contributions made	<u>(69,548)</u>
Increase (decrease) in net OPEB obligation	103,500
Net OPEB obligation - beginning of year	<u>702,266</u>
Net OPEB obligation - end of year	<u><u>\$ 805,766</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
12/31/2014	173,048	40%	805,766

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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%
7/1/2014	0	1,876,589	1,876,589	0.00%	3,357,712	55.89%

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, 2014, follows:

Lodging tax receipts	\$88,927
Disbursements to promote tourism, conventions, and trade shows	\$70,000 78.7% of tax receipts

CITY OF CEDARTOWN, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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. 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 2014. 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, 2014

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, 2014, 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, 2014. 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, 2014

20. Commitments and Contingencies, (continued)

Contingencies

The City is a defendant in several lawsuits. 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.

21. Excess of Expenditures over Appropriations in Individual Governmental Funds for which Budgets are Adopted

During the year the City incurred expenditures in the following funds, which were in excess of the amounts appropriated:

<u>General Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance</u>
Department			
Finance	\$ 280,771	\$ 261,988	\$ (18,783)
General Plant and Building	18,246	0	(18,246)
Municipal Court	28,675	24,250	(4,425)
Police Department	2,514,694	2,419,799	(94,895)
Fire Department	1,369,227	1,315,358	(53,869)
Parks and Recreation	1,121,723	439,244	(682,479)
Debt Service	4,102	0	(4,102)

Management concurs with this finding. The City is taking actions to improve the budgeting process to require more frequent review of current comparative financial statements to budget and for necessary budget amendments to be made quarterly. The Chief Financial Officer will be reviewing the comparative financial statements to budget and recommend any necessary budget revisions to the City Commission.

In addition, the City did not adopt budgets for the Confiscated Assets and Hotel/Motel Tax Special Revenue Funds.

22. Subsequent Events

In May 2015, the City committed to a contract in the amount of \$229,017 related to the Hospital Reuse Project.

COMBINING STATEMENTS

Nonmajor Governmental Funds

**CITY OF CEDARTOWN, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2014**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Confiscated Assets</u>	<u>Hotel/Motel Tax</u>	
ASSETS			
Cash and cash equivalents	\$ 30,294	\$ 49,863	\$ 80,157
Taxes receivable	0	17,675	17,675
Total assets	<u>\$ 30,294</u>	<u>\$ 67,538</u>	<u>\$ 97,832</u>
LIABILITIES			
FUND BALANCES			
Restricted for Public Safety	\$ 30,294	\$ 0	\$ 30,294
Assigned for Housing and Development	0	67,538	67,538
Total fund balances	<u>30,294</u>	<u>67,538</u>	<u>97,832</u>
Total liabilities and fund balances	<u>\$ 30,294</u>	<u>\$ 67,538</u>	<u>\$ 97,832</u>

CITY OF CEDARTOWN, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2014

	Special Revenue		Total Nonmajor Governmental Funds
	Confiscated Assets	Hotel/Motel Tax	
REVENUES			
Taxes	\$ 0	\$ 88,927	\$ 88,927
Fees, fines, and forfeitures	41,304	0	41,304
Total revenues	<u>41,304</u>	<u>88,927</u>	<u>130,231</u>
EXPENDITURES			
Current			
Public Safety	<u>27,234</u>	<u>0</u>	<u>27,234</u>
Total expenditures	<u>27,234</u>	<u>0</u>	<u>27,234</u>
Excess (deficiency) of revenues over (under) expenditures	14,070	88,927	102,997
Other financing sources (uses)			
Transfers out	<u>0</u>	<u>(70,000)</u>	<u>(70,000)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	14,070	18,927	32,997
Fund balances, January 1	<u>16,224</u>	<u>48,611</u>	<u>64,835</u>
Fund balances, December 31	<u><u>\$ 30,294</u></u>	<u><u>\$ 67,538</u></u>	<u><u>\$ 97,832</u></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, 2014 and 2013**

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 352,428	\$ 154,785
Receivables (net)		
Taxes	1,197,731	1,156,012
Intergovernmental	31,577	22,655
Prepaid items	83,362	43,631
Due from other funds	465,807	86,292
Restricted assets		
Cash	261,624	206,402
Total assets	\$ 2,392,529	\$ 1,669,777
LIABILITIES		
Payables		
Accounts	\$ 60,906	\$ 124,651
Accrued salaries and payroll liabilities	136,658	92,662
Due to others	8,953	15,328
Unearned revenue	60,240	75,765
Due to other funds	13,212	197,900
Total liabilities	279,969	506,306
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	271,061	305,601
FUND BALANCES		
Nonspendable prepaid items	83,362	43,631
Restricted for:		
Public Safety	2,994	2,486
Public Works	20,292	14,892
Culture and Recreation	238,338	189,024
Unassigned	1,496,513	607,837
Total fund balances	1,841,499	857,870
Total liabilities and fund balances	\$ 2,392,529	\$ 1,669,777

CITY OF CEDARTOWN, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUES		
Taxes	\$ 5,493,247	\$ 5,374,682
Licenses and permits	30,512	63,673
Fines, fees and forfeitures	218,123	262,592
Charges for services	185,622	158,400
Intergovernmental	347,531	282,414
Interest	67	92
Contributions	726,851	249,950
Other	34,616	55,932
Total revenues	<u>7,036,569</u>	<u>6,447,735</u>
EXPENDITURES		
Current		
General Government	1,131,948	968,414
Judicial	28,675	54,707
Public Safety	3,883,921	3,892,246
Public Works	982,278	1,059,044
Health and Welfare	77,723	65,316
Culture and Recreation	1,292,456	657,020
Housing and Development	159,451	174,633
Debt service		
Interest and other charges	4,102	10,755
Total expenditures	<u>7,560,554</u>	<u>6,882,135</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(523,985)</u>	<u>(434,400)</u>
Other financing sources (uses)		
Transfers in (out)		
Hotel/Motel Fund	70,000	75,000
Water and Sewer Fund	1,008,350	365,000
Solid Waste Enterprise Fund	426,014	449,854
Proceeds from the sale of capital assets	3,250	24,700
Total other financing sources (uses)	<u>1,507,614</u>	<u>914,554</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	983,629	480,154
Fund balances, January 1 (restated)	<u>857,870</u>	<u>377,716</u>
Fund balances, December 31	<u><u>\$ 1,841,499</u></u>	<u><u>\$ 857,870</u></u>

CITY OF CEDARTOWN, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2014

(with comparative actual amounts for the year ended December 31, 2013)

	2014			2013
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	\$ 2,075,000	\$ 2,023,108	\$ (51,892)	\$ 2,010,373
Motor vehicle tax	143,500	327,350	183,850	291,261
Cost, penalties, and interest	45,000	68,957	23,957	57,426
Total general property taxes	2,263,500	2,419,415	155,915	2,359,060
Local option sales tax	1,380,000	1,350,534	(29,466)	1,358,384
Intangible tax	2,200	6,984	4,784	7,945
Real estate transfer tax	2,000	4,463	2,463	2,158
Franchise tax	705,000	785,433	80,433	722,471
Insurance premium tax	492,000	525,756	33,756	502,944
Alcoholic beverage excise tax	237,000	243,088	6,088	242,951
Occupational tax	169,700	157,574	(12,126)	178,769
Total taxes	5,251,400	5,493,247	241,847	5,374,682
Licenses and Permits				
Alcohol licenses	1,000	1,624	624	1,498
Building permits	26,500	28,888	2,388	62,175
Total licenses and permits	27,500	30,512	3,012	63,673
Fines, fees and forfeitures	322,500	218,123	(104,377)	262,592
Charges for Services				
Police services	64,000	115,560	51,560	73,801
Fire protection	30,800	28,286	(2,514)	29,038
Recreation	11,750	14,305	2,555	15,112
Cemetery	34,500	26,370	(8,130)	38,713
Other	1,200	1,101	(99)	1,736
Total charges for services	142,250	185,622	43,372	158,400
Intergovernmental				
Grants	106,466	173,388	66,922	115,962
Other	136,250	174,143	37,893	166,452
Total intergovernmental	242,716	347,531	104,815	282,414
Interest	0	67	67	92
Contributions	0	726,851	726,851	249,950
Other	40,400	34,616	(5,784)	55,932
Total revenues	<u>\$ 6,026,766</u>	<u>\$ 7,036,569</u>	<u>\$ 1,009,803</u>	<u>\$ 6,447,735</u>

CITY OF CEDARTOWN, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2014

(with comparative actual amounts for the year ended December 31, 2013)

EXPENDITURES	2014			2013
	Final Budget	Actual	Variance	Actual
Current				
General Government				
City Commission				
Personal services	\$ 114,364	\$ 107,689	\$ 6,675	\$ 114,323
Contract services	68,825	57,956	10,869	48,846
Supplies and materials	13,400	16,435	(3,035)	25,994
Total City Commission	196,589	182,080	14,509	189,163
City Manager				
Personal services	112,480	103,626	8,854	100,944
Contract services	2,830	1,279	1,551	1,651
Supplies and materials	2,800	2,953	(153)	1,299
Total City Manager	118,110	107,858	10,252	103,894
Administration				
Personal services	234,878	226,186	8,692	210,182
Contract services	283,100	265,437	17,663	139,005
Supplies and materials	46,600	51,370	(4,770)	49,678
Capital outlay	0	0	0	92,983
Total Administration	564,578	542,993	21,585	491,848
Elections				
Supplies and materials	0	0	0	2,649
Information Technology				
Personal services	0	0	0	27,261
Contract services	0	0	0	374
Total Information Technology	0	0	0	27,635
Finance				
Personal services	205,538	205,299	239	89,392
Contract services	55,250	75,009	(19,759)	61,511
Supplies and materials	1,200	463	737	2,322
Total Finance	261,988	280,771	(18,783)	153,225
General Plant and Building				
Contract services	0	12,346	(12,346)	0
Capital outlay	0	5,900	(5,900)	0
Total General Plant and Building	0	18,246	(18,246)	0
Total General Government	1,141,265	1,131,948	9,317	968,414
Judicial				
Municipal Court				
Personal services	0	731	(731)	48,374
Contract Services	24,250	27,844	(3,594)	6,333
Supplies and materials	0	100	(100)	0
Total Judicial	24,250	28,675	(4,425)	54,707

**CITY OF CEDARTOWN, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2014**

(with comparative actual amounts for the year ended December 31, 2013)

	2014			2013
	Final Budget	Actual	Variance	Actual
Public Safety				
Police Department				
Personal services	\$ 2,177,774	\$ 2,283,666	\$ (105,892)	\$ 2,241,888
Contract services	101,625	90,980	10,645	179,772
Supplies and materials	140,400	140,048	352	135,134
Total Police Department	<u>2,419,799</u>	<u>2,514,694</u>	<u>(94,895)</u>	<u>2,556,794</u>
Fire Department				
Personal services	1,227,104	1,283,314	(56,210)	1,227,108
Contract services	30,229	25,843	4,386	58,327
Supplies and materials	58,025	54,356	3,669	50,017
Capital outlay	0	5,714	(5,714)	0
Total Fire Department	<u>1,315,358</u>	<u>1,369,227</u>	<u>(53,869)</u>	<u>1,335,452</u>
Total Public Safety	<u>3,735,157</u>	<u>3,883,921</u>	<u>(148,764)</u>	<u>3,892,246</u>
Public Works				
Highways and Streets				
Personal services	517,299	478,766	38,533	506,178
Contract services	67,000	74,932	(7,932)	97,024
Supplies and materials	256,900	227,990	28,910	120,296
Total Highways and Streets	<u>841,199</u>	<u>781,688</u>	<u>59,511</u>	<u>723,498</u>
Street Lighting				
Supplies and materials	0	0	0	160,500
Total Street Lighting	<u>0</u>	<u>0</u>	<u>0</u>	<u>160,500</u>
Cemetery				
Personal services	182,224	180,671	1,553	157,613
Contract services	6,650	5,780	870	8,183
Supplies and materials	11,800	14,139	(2,339)	9,250
Total Cemetery	<u>200,674</u>	<u>200,590</u>	<u>84</u>	<u>175,046</u>
Total Public Works	<u>1,041,873</u>	<u>982,278</u>	<u>59,595</u>	<u>1,059,044</u>
Health and Welfare				
Transportation				
Personal services	49,538	58,988	(9,450)	46,333
Contract services	12,750	8,470	4,280	10,851
Supplies and materials	16,300	10,265	6,035	8,132
Total Health and Welfare	<u>78,588</u>	<u>77,723</u>	<u>865</u>	<u>65,316</u>

**CITY OF CEDARTOWN, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2014**

(with comparative actual amounts for the year ended December 31, 2013)

	2014			2013
	Final Budget	Actual	Variance	Actual
Culture and Recreation				
Parks and Recreation				
Personal services	\$ 206,842	\$ 207,012	\$ (170)	\$ 209,731
Contract services	93,352	72,462	20,890	93,631
Supplies and materials	139,050	143,860	(4,810)	120,933
Capital outlay	0	698,389	(698,389)	22,500
Total Parks and Recreation	<u>439,244</u>	<u>1,121,723</u>	<u>(682,479)</u>	<u>446,795</u>
Library				
Contract services	64,950	65,038	(88)	67,751
Supplies and materials	20,750	21,138	(388)	18,147
Total Library	<u>85,700</u>	<u>86,176</u>	<u>(476)</u>	<u>85,898</u>
Agency allocations				
Civic Arts Commission	82,450	84,557	(2,107)	124,327
Total Culture and Recreation	<u>607,394</u>	<u>1,292,456</u>	<u>(685,062)</u>	<u>657,020</u>
Housing and Development				
Inspections				
Personal services	0	0	0	39,704
Contract services	0	0	0	3,207
Supplies and materials	0	0	0	2,201
Total Inspections	<u>0</u>	<u>0</u>	<u>0</u>	<u>45,112</u>
Code Enforcement				
Personal services	68,157	68,204	(47)	60,315
Contract services	5,560	3,728	1,832	2,034
Supplies and materials	3,950	2,414	1,536	1,466
Total Code Enforcement	<u>77,667</u>	<u>74,346</u>	<u>3,321</u>	<u>63,815</u>
Agency allocations				
Downtown Cedartown Association	82,724	85,105	(2,381)	65,706
Total Housing and Development	<u>160,391</u>	<u>159,451</u>	<u>940</u>	<u>174,633</u>
Total current	6,788,918	7,556,452	(767,534)	6,871,380
Debt service				
Interest and other charges	0	4,102	(4,102)	10,755
Total expenditures	<u>\$ 6,788,918</u>	<u>\$ 7,560,554</u>	<u>\$ (771,636)</u>	<u>\$ 6,882,135</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, 2014 and 2013**

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 30,294	\$ 17,008
LIABILITIES		
Due to other agencies	\$ 0	\$ 784
FUND BALANCES		
Restricted for Public Safety	30,294	16,224
Total liabilities and fund balances	\$ 30,294	\$ 17,008

CITY OF CEDARTOWN, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUES		
Fines, fees, and forfeitures	\$ 41,304	\$ 33,113
Total revenues	<u>41,304</u>	<u>33,113</u>
EXPENDITURES		
Current		
Public Safety		
Supplies and materials	<u>27,234</u>	<u>26,103</u>
Total expenditures	<u>27,234</u>	<u>26,103</u>
Excess (deficiency) of revenues over (under) expenditures	14,070	7,010
Fund balances, January 1	<u>16,224</u>	<u>9,214</u>
Fund balances, December 31	<u><u>\$ 30,294</u></u>	<u><u>\$ 16,224</u></u>

**CITY OF CEDARTOWN, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2014 and 2013**

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 49,863	\$ 27,053
Taxes receivable	17,675	21,558
Total assets	\$ 67,538	\$ 48,611
 FUND BALANCES		
Assigned for Housing and Development	\$ 67,538	\$ 48,611
Total fund balances	\$ 67,538	\$ 48,611

CITY OF CEDARTOWN, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the years ended December 31, 2014 and 2013

	2014	2013
REVENUES		
Hotel/Motel taxes	\$ 88,927	\$ 74,759
Total revenues	88,927	74,759
EXPENDITURES		
Total expenditures	0	0
Excess (deficiency) of revenues over (under) expenditures	88,927	74,759
Other financing sources (uses)		
Transfers in (out)		
General Fund	(70,000)	(75,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	18,927	(241)
Fund balances, January 1	48,611	48,852
Fund balances, December 31	\$ 67,538	\$ 48,611

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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.

2014 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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 388,781	\$ 410,962
Receivables		
Accounts	7,500	48,214
Intergovernmental	0	197,950
Restricted assets		
Cash and cash equivalents	<u>262,625</u>	<u>223,843</u>
Total assets	<u><u>\$ 658,906</u></u>	<u><u>\$ 880,969</u></u>
 LIABILITIES		
Payables		
Accounts	\$ 0	\$ 94,699
Retainages	0	29,730
Due to other funds	<u>0</u>	<u>63,396</u>
Total liabilities	<u>0</u>	<u>187,825</u>
 FUND BALANCES		
Restricted for:		
Debt service	272,207	220,360
Capital projects	386,699	466,170
Assigned for debt service	<u>0</u>	<u>6,614</u>
Total fund balances	<u>658,906</u>	<u>693,144</u>
 Total liabilities and fund balances	<u><u>\$ 658,906</u></u>	<u><u>\$ 880,969</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUES		
Intergovernmental	\$ 566,164	\$ 1,413,941
Interest	158	99
Other	12,427	8,845
	<hr/>	<hr/>
Total revenues	578,749	1,422,885
	<hr/>	<hr/>
EXPENDITURES		
Capital Outlay		
General Government		
City Commission	750	0
City Manager	306	0
Administration	19,702	137,576
Finance	406	0
General Plant and Buildings	970	36,131
Public Safety		
Police	131,429	49,872
Fire	343,259	15,065
Public Works		
Streets	16,643	375,661
Culture and Recreation		
Parks and Recreation	407,568	14,091
Library		
Debt Service		
Principal	260,848	2,688,168
Interest and fiscal charges	55,852	197,983
Debt issue costs	1,059	83,912
	<hr/>	<hr/>
Total expenditures	1,238,792	3,598,459
	<hr/>	<hr/>
Excess of revenues over (under) expenditures	(660,043)	(2,175,574)
	<hr/>	<hr/>
Other financing sources (uses)		
Transfers in (out)		
Water and Sewer Fund	(102,362)	(622,511)
Issuance of bonds payable	0	2,540,000
Issuance of capital lease	728,167	134,252
	<hr/>	<hr/>
Total other financing sources (uses)	625,805	2,051,741
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(34,238)	(123,833)
	<hr/>	<hr/>
Fund balances, January 1	693,144	816,977
	<hr/>	<hr/>
Fund balances, December 31	\$ 658,906	\$ 693,144
	<hr/> <hr/>	<hr/> <hr/>

CITY OF CEDARTOWN, GEORGIA
2014 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
BALANCE SHEET
December 31, 2014

ASSETS

Cash and cash equivalents	\$ 170,882
Receivables	
Intergovernmental	200,390
Due from other funds	<u>32,973</u>
Total assets	<u><u>\$ 404,245</u></u>

LIABILITIES

FUND BALANCES

Restricted for capital projects	<u><u>\$ 404,245</u></u>
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CITY OF CEDARTOWN, GEORGIA
2014 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the year ended December 31, 2014

REVENUES	
Intergovernmental	\$ 592,431
Total revenues	<u>592,431</u>
EXPENDITURES	
Capital Outlay	
General Government	
Administration	3,982
Public Safety	
Police	11,665
Fire	17,198
Culture and Recreation	
Parks and Recreation	10,538
Debt Service	
Principal	91,276
Interest and fiscal charges	<u>483</u>
Total expenditures	<u>135,142</u>
Excess of revenues over (under) expenditures	457,289
Other financing sources (uses)	
Transfers in (out)	
Water and Sewer Fund	<u>(53,044)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	404,245
Fund balances, January 1	<u>0</u>
Fund balances, December 31	<u><u>\$ 404,245</u></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, 2014 and 2013

ASSETS	2014	2013
Current assets		
Cash and cash equivalents	\$ 787,819	\$ 199,983
Receivables		
Accounts (net)	329,633	330,001
Intergovernmental	0	312,043
Inventory	14,893	16,399
Prepaid items	52,845	35,520
Due from other funds	0	261,296
Total current assets	1,185,190	1,155,242
Restricted assets		
Construction Fund		
Cash and cash equivalents	1,059,980	5,597,916
Extension and Renewal		
Cash and cash equivalents	150,005	0
Bond Redemption		
Cash and cash equivalents	241,373	272,944
Customer Deposits		
Cash and cash equivalents	150,171	119,216
Total restricted assets	1,601,529	5,990,076
Capital assets		
Land	1,245,358	1,245,358
Buildings	122,155	122,155
Vehicles	570,025	733,523
Furniture and fixtures	4,979	4,979
Distribution system	25,599,488	21,027,803
Machinery and equipment	598,458	556,162
Construction in progress	1,257,619	1,288,290
Accumulated depreciation	(10,880,742)	(10,555,338)
Total capital assets (net of accumulated depreciation)	18,517,340	14,422,932
Total assets	21,304,059	21,568,250

CITY OF CEDARTOWN, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
For the years ended December 31, 2014 and 2013

	2014	2013
LIABILITIES		
Current liabilities		
Accounts payable	\$ 44,856	\$ 29,487
Accrued salaries and payroll liabilities	22,924	18,603
Compensated absences	45,695	38,664
Due to other funds	402,018	0
Capital lease payable	49,486	47,879
Notes payable	118,345	116,003
	683,324	250,636
Current liabilities payable from restricted assets		
Payables		
Accounts	308,560	408,166
Retainages	36,021	48,995
Interest	126,340	112,096
Customer deposits payable	150,171	119,216
Revenue bonds payable	290,000	255,000
	911,092	943,473
Long-term liabilities		
Net OPEB obligation	129,506	112,423
Capital lease payable	104,137	153,623
Notes payable	1,119,232	1,237,579
Revenue bonds payable	8,162,315	8,448,689
	9,515,190	9,952,314
Total liabilities	11,109,606	11,146,423
NET POSITION		
Net investment in capital assets	9,389,224	9,304,914
Restricted for:		
Capital projects	150,005	0
Debt service	115,033	160,848
Unrestricted	540,191	956,065
	10,194,453	10,421,827
Total net position	\$ 10,194,453	\$ 10,421,827

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Charges for sales and services		
Water and sewer charges	\$ 2,184,005	\$ 2,250,119
Tap fees	12,445	1,720
Penalties and other services	351,200	300,011
Other	4,156	3,372
	<u>2,551,806</u>	<u>2,555,222</u>
OPERATING EXPENSES		
Cost of sales and services	614,624	692,511
Personal services	983,371	978,119
Depreciation	556,183	531,220
	<u>2,154,178</u>	<u>2,201,850</u>
Operating income (loss)	<u>397,628</u>	<u>353,372</u>
Non-operating revenues (expenses)		
Interest revenue	262	276
Other expense	0	(602)
Interest expense	(327,826)	(285,543)
Debt issue costs	0	(225,801)
Gain (loss) on sale of capital assets	30,550	0
	<u>(297,014)</u>	<u>(511,670)</u>
Net income (loss) before capital contributions and transfers	<u>100,614</u>	<u>(158,298)</u>
Capital contributions		
Capital contributions	336,999	112,925
Intergovernmental	187,957	312,043
	<u>524,956</u>	<u>424,968</u>
Net income (loss) before transfers	<u>625,570</u>	<u>266,670</u>
Transfers in (out)		
General Fund	(1,008,350)	(365,000)
SPLOST Fund	102,362	622,511
2014 SPLOST Fund	53,044	0
	<u>(852,944)</u>	<u>257,511</u>
Change in net position	(227,374)	524,181
Net position, January 1	<u>10,421,827</u>	<u>9,897,646</u>
Net position, December 31	<u><u>\$ 10,194,453</u></u>	<u><u>\$ 10,421,827</u></u>

CITY OF CEDARTOWN, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from customers	\$ 2,578,973	\$ 2,495,919
Payments to suppliers	(616,880)	(690,968)
Payments to employees	(954,936)	(948,272)
Other receipts	4,156	3,372
Net cash provided (used) by operating activities	<u>1,011,313</u>	<u>860,051</u>
Cash flows from non-capital financing activities:		
Receipts from other funds	261,296	148,350
Payments to other funds	(606,332)	(390,000)
Net cash provided (used) by non-capital financing activities	<u>(345,036)</u>	<u>(241,650)</u>
Cash flows from capital and related financing activities:		
Receipts from other funds	155,406	622,511
Receipts of capital contributions	836,999	0
Proceeds from sale of capital assets	30,550	0
Payments for acquisitions of capital assets	(4,306,011)	(784,994)
Payment of capital related accounts payable	(408,166)	(27,850)
Payment of retainages payable	(48,995)	0
Principal payments - promissory notes	(116,005)	(2,966,275)
Issuance of bonds payable	0	8,702,480
Principal payments - revenue bonds	(255,000)	(135,000)
Principal payments - capital leases	(47,879)	(48,496)
Debt issue costs	0	(261,923)
Interest paid	(308,149)	(191,402)
Net cash provided (used) by capital and related financing activities	<u>(4,467,250)</u>	<u>4,909,051</u>
Cash flows from investing activities:		
Interest received	262	276
Net cash provided (used) by investing activities	<u>262</u>	<u>276</u>
Net increase (decrease) in cash and cash equivalents	(3,800,711)	5,527,728
Cash and cash equivalents, January 1	6,190,059	662,331
Cash and cash equivalents, December 31	<u><u>\$ 2,389,348</u></u>	<u><u>\$ 6,190,059</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ 397,628</u>	<u>\$ 353,372</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	556,183	531,220
(Increase) decrease in accounts receivable	368	(38,646)
(Increase) decrease in inventory	1,506	8,338
Increase (decrease) in prepaid items	(19,131)	0
Increase (decrease) in accounts payable	15,369	(6,795)
Increase (decrease) in net OPEB obligation	17,083	31,891
Increase (decrease) in payroll liabilities	11,352	(2,044)
Increase (decrease) in deposits payable	30,955	(17,285)
Total adjustments	<u>613,685</u>	<u>506,679</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,011,313</u></u>	<u><u>\$ 860,051</u></u>

CITY OF CEDARTOWN, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash reconciliation:		
Cash and cash equivalents	\$ 787,819	\$ 199,983
Construction Fund		
Cash and cash equivalents	1,059,980	5,597,916
Bond Redemption		
Cash and cash equivalents	150,005	0
Bond Redemption		
Cash and cash equivalents	241,373	272,944
Customer Deposits		
Cash and cash equivalents	<u>150,171</u>	<u>119,216</u>
Total cash and cash equivalents	<u><u>\$ 2,389,348</u></u>	<u><u>\$ 6,190,059</u></u>

Noncash investing, capital, and financing activities:

Acquisition of capital assets through accounts payable totaled \$344,580 and \$457,161 for the years ended December 31, 2014 and 2013, 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, 2014 and 2013**

	2014	2013
ASSETS		
Current assets		
Accounts receivable (net)	\$ 130,743	\$ 134,160
LIABILITIES		
Current liabilities		
Accounts payable	47,193	47,868
Due to other funds	83,550	86,292
Total liabilities	130,743	134,160
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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Charges for sales and services	\$ 1,007,510	\$ 1,030,588
Total operating revenue	<u>1,007,510</u>	<u>1,030,588</u>
OPERATING EXPENSES		
Cost of sales and services	<u>581,496</u>	<u>580,734</u>
Total operating expenses	<u>581,496</u>	<u>580,734</u>
Operating income (loss)	426,014	449,854
Transfers in (out)		
General Fund	<u>(426,014)</u>	<u>(449,854)</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from customers	\$ 1,010,927	\$ 1,021,594
Payments to suppliers	<u>(582,171)</u>	<u>(679,396)</u>
Net cash provided (used) by operating activities	428,756	342,198
Cash flows from non-capital financing activities:		
Payments to other funds	<u>(428,756)</u>	<u>(342,198)</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)	<u>\$ 426,014</u>	<u>\$ 449,854</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	3,417	(8,994)
Increase (decrease) in accounts payable	<u>(675)</u>	<u>(98,662)</u>
Total adjustments	<u>2,742</u>	<u>(107,656)</u>
Net cash provided (used) by operating activities	<u><u>\$ 428,756</u></u>	<u><u>\$ 342,198</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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 29,971	\$ 32,712
LIABILITIES		
NET POSITION		
Unrestricted	<u>\$ 29,971</u>	<u>\$ 32,712</u>

**CITY OF CEDARTOWN, GEORGIA
EMPLOYEE BENEFITS FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
For the years ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Interfund services provided	\$ 172,768	\$ 897,008
Total operating revenue	<u>172,768</u>	<u>897,008</u>
OPERATING EXPENSES		
Costs of services		
Insurance	<u>175,509</u>	<u>896,762</u>
Total operating expenses	<u>175,509</u>	<u>896,762</u>
Operating income (loss)	(2,741)	246
Net position, January 1	<u>32,712</u>	<u>32,466</u>
Net position, December 31	<u><u>\$ 29,971</u></u>	<u><u>\$ 32,712</u></u>

CITY OF CEDARTOWN, GEORGIA
EMPLOYEE BENEFITS FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 172,768	\$ 833,206
Payments to suppliers	<u>(175,509)</u>	<u>(832,960)</u>
Net increase (decrease) in cash and cash equivalents	(2,741)	246
Cash and cash equivalents, January 1	<u>32,712</u>	<u>32,466</u>
Cash and cash equivalents, December 31	<u><u>\$ 29,971</u></u>	<u><u>\$ 32,712</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ (2,741)</u>	<u>\$ 246</u>
Adjustments to reconcile net income to net cash provided (used) by operating activities		
(Increase) decrease in prepaid items	0	63,802
Increase (decrease) in unearned revenue	<u>0</u>	<u>(63,802)</u>
Total adjustments	<u>0</u>	<u>0</u>
Net cash provided (used) by operating activities	<u><u>\$ (2,741)</u></u>	<u><u>\$ 246</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, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 47,344	\$ 23,949
Accounts receivable	1,733	1,121
Total assets	\$ 49,077	\$ 25,070
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 850	\$ 3,263
Fund balances		
Assigned for Culture and Recreation	48,227	21,807
Total liabilities and fund balances	\$ 49,077	\$ 25,070

CITY OF CEDARTOWN, GEORGIA
CEDARTOWN CIVIC ARTS COMMISSION (A COMPONENT UNIT)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUES		
Intergovernmental	\$ 41,918	\$ 33,320
Charges for services	22,151	32,044
Contributions	953	4,547
Rent	1,218	7,018
Interest	12	4
Other	<u>4,781</u>	<u>1,729</u>
Total revenues	<u>71,033</u>	<u>78,662</u>
EXPENDITURES		
Current		
Culture and Recreation		
Personal services	119	1,050
Contract services	30,318	41,380
Supplies and materials	<u>14,176</u>	<u>10,291</u>
Total expenditures	<u>44,613</u>	<u>52,721</u>
Excess (deficiency) of revenues over (under) expenditures	26,420	25,941
Fund balances, January 1 (restated)	<u>21,807</u>	<u>(4,134)</u>
Fund balances, December 31	<u><u>\$ 48,227</u></u>	<u><u>\$ 21,807</u></u>

CITY OF CEDARTOWN, GEORGIA
DOWNTOWN CEDARTOWN ASSOCIATION (A COMPONENT UNIT)
COMPARATIVE BALANCE SHEETS
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 12,869	\$ 16,186
Certificates of deposit	25,075	25,075
Accounts receivable	4,544	5,594
Inventory	5,100	2,971
Total assets	\$ 47,588	\$ 49,826
LIABILITIES		
Accounts payable	\$ 1,384	\$ 955
FUND BALANCES		
Nonspendable inventory	5,100	2,971
Assigned for Housing and Development	41,104	45,900
Total fund balances	46,204	48,871
Total liabilities and fund balances	\$ 47,588	\$ 49,826

CITY OF CEDARTOWN, GEORGIA
DOWNTOWN CEDARTOWN ASSOCIATION (A COMPONENT UNIT)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUES		
Intergovernmental	\$ 69,830	\$ 65,706
Charges for services	10,005	13,280
Interest	0	38
Contributions	800	14
Other	<u>6,297</u>	<u>2,262</u>
Total revenues	<u>86,932</u>	<u>81,300</u>
EXPENDITURES		
Current		
Housing and Development		
Personal services	60,676	53,387
Contract services	11,332	15,334
Supplies and materials	<u>17,591</u>	<u>17,524</u>
Total expenditures	<u>89,599</u>	<u>86,245</u>
Excess (deficiency) of revenues over (under) expenditures	(2,667)	(4,945)
Fund balances, January 1	<u>48,871</u>	<u>53,816</u>
Fund balances, December 31	<u><u>\$ 46,204</u></u>	<u><u>\$ 48,871</u></u>

CITY OF CEDARTOWN, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)
COMPARATIVE BALANCE SHEETS
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 1,030	\$ 0
Notes receivable	100,010	0
	Total assets	\$ 0
	\$ 101,040	\$ 0
LIABILITIES		
Total liabilities	\$ 0	\$ 0
FUND BALANCES		
Assigned for Housing and Development	101,040	0
	Total liabilities and fund balances	\$ 0
	\$ 101,040	\$ 0

CITY OF CEDARTOWN, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUES		
Interest	\$ 1,438	\$ 0
Other	<u>2,617</u>	<u>0</u>
Total revenues	<u>4,055</u>	<u>0</u>
EXPENDITURES		
Current		
Housing and Development		
Contract Services	1,586	0
Debt Service	<u>5,429</u>	<u>0</u>
Total expenditures	<u>7,015</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	(2,960)	0
Other financing sources (uses)		
Proceeds from notes payable	<u>104,000</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	101,040	0
Fund balances, January 1	<u>0</u>	<u>0</u>
Fund balances, December 31	<u><u>\$ 101,040</u></u>	<u><u>\$ 0</u></u>

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OTHER REPORTING SECTION

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

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, 2014, 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 29, 2015.

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 14-1

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. As a mitigating control, the City manager reviews and approves journal entries, bank statements and bank reconciliations.

Criteria: Proper segregation of duties require that the duties of authorizing and recording 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.

Comment 14-1, continued

Recommendation: Due to the lack of number of personnel for proper segregation of duties, the City Manager should continue to review and approve all journal entries, bank statements and reconciliations.

Management Response: Management concurs with this finding. At this time, the City has inadequate number of personnel to properly segregate duties and therefore, the City Manager will continue to review and approve all journal entries, bank statements and bank reconciliations.

Comment 14-2

Condition: There is not appropriate segregation of duties between receipting, recording, reconciling and depositing cash bonds and fines collected in the Police Department.

Criteria: Segregation of duties is a key internal control whereby the authorization, custody, record keeping, and reconciling duties are separated among several persons.

Effect: Failure to maintain adequate segregation of duties exposes the City to a greater risk of loss due to fraud.

Recommendation: To ensure that sufficient internal controls are in place, the Police Department should properly segregate duties.

Management Response: Management concurs with this finding. The Police Department has already taken action to implement the recommendation.

Comment 14-3

Condition: The 2013 financial statements for the Civic Arts Commission were restated to reflect an overstatement of revenues in the prior year.

Criteria: Generally accepted accounting principles require that revenue be recognized when earned and for transactions that relate to the entity.

Effect: Failure to properly recognize revenues led to financial statements that were misstated.

Recommendation: Management should monitor its assets, liabilities and revenue transactions to ensure timely and accurate recording.

Management Response: Management concurs with this finding. Management will monitor activity to ensure that transactions are recognized as appropriate.

Comment 14-4

Condition: The City requires additional assistance in order to adjust and prepare financial statements in accordance with Generally Accepted Accounting Principles.

Criteria: Internal controls should be in place to ensure the City can perform timely and accurate year-end close procedures for reporting with Generally Accepted Accounting Principles.

Effect: Failure to properly design and implement internal controls over year-end close may lead to financial statements that are materially misstated and may result in delays in the City's reporting process.

Recommendation: We recommend that the City's Finance Department continue to implement and/or strengthen controls over the year-end closeout procedures. We also recommend additional assistance in the Finance Department for the Chief Financial Officer to reconcile and adjust financial statements for reporting in accordance with Generally Accepted Accounting Principles.

Comment 14-4, continued

Management Response: Management concurs with this finding. The City Manager and Chief Financial Officer will ensure that proper internal controls over the year-end close procedures are designed and implemented.

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 14-5

Condition: During the audit, we noted that payouts from the City's Municipal Court are not being made in a timely manner. This included monies due to the City's General Fund and required an adjustment to record activity for the last three months of the year.

Criteria: State of Georgia Code requires that all courts payout monies due to others in a timely manner.

Effect: Failure to make required payouts of monies being held by the Court will place the City in violation of state law, and could result in financial statements that are materially misstated.

Recommendation: As required by the State of Georgia, payouts to agencies should be made on a monthly basis.

Management Response: Management concurs with this finding. The City Manager and the Chief Financial Officer will monitor this function more closely and the Municipal Court has already taken action to implement this recommendation.

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 the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

Comment 14-6

Condition: The City experienced a material excess of expenditures over appropriations in the General Fund. The City also did not adopt annual budgets for the Hotel Motel Tax Special Revenue Fund and the Confiscated Assets Special Revenue Fund.

Criteria: OCGA Code Section 36-81-3 requires local governments to operate under an approved annual budget for the General Fund and special revenue funds.

Effect: Failure to maintain expenditures within the balanced budget for the General Fund and failure to adopt annual budgets as required by OCGA Code Section 36-81-3 places the City in violation of state law.

Recommendation: City Management should ensure that annual operating budgets are adopted for the General Fund and all special revenue funds as required by state law. Budget to actual comparisons should be reviewed periodically by City management and budgets amended as needed to ensure that the City remains in compliance with state law.

Management Response: Management concurs with this finding. The Chief Financial Officer will ensure that an annual budget is adopted for the General Fund and all special revenue funds and will review the budget to actual comparisons and recommend any necessary budget revisions to the City Commission.

Comment 14-7

Condition: Certain cash disbursements from the 2014 SPLOST Capital Projects Fund failed to comply with OCGA Section 48-8-121. These were disbursements that did qualify as capital in nature.

Criteria: OCGA Code Section 48-8-121 requires that SPLOST proceeds be used exclusively for the purpose specified in the resolution or ordinance calling for imposition of the tax.

Effect: Failure to comply with OCGA Code Section 48-8-121 is in violation of state law.

Recommendation: Funds should be returned promptly to the 2014 SPLOST Capital Projects Fund.

Management Response: Management concurs with this finding. The Chief Financial Officer has recorded an amount Due to SPLOST and intends to make timely reimbursement from the respective funds. In the future, the Chief Financial Officer will consider the nature of the expenditure along with its SPLOST budget and ensure that it is an allowable and appropriate SPLOST expenditure prior to approving the disbursement.

City of Cedartown, Georgia's Responses to Findings

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

Purpose of this Report

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 29, 2015

CITY OF CEDARTOWN, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2014

<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	\$ 1,610,795	\$ 241,319	\$ 1,852,114
Water and Sewer Improvements and Equipment	2,237,900	2,237,900	2,178,809	0	2,178,809
Water Maintenance Equipment	600,000	600,000	77,357	102,362	179,719
Street, Sidewalks, and Storm Sewer Improvements and Equipment	1,400,000	1,400,000	1,188,760	16,643	1,205,403
Public Safety Equipment	600,000	600,000	594,242	148,442	742,684
Recreation and Park Improvements and Equipment	350,000	350,000	80,807	42,568	123,375
Public Land and Building Improvements	<u>854,500</u>	<u>854,500</u>	<u>177,628</u>	<u>61,653</u>	<u>239,281</u>
Total	<u>\$ 8,942,400</u>	<u>\$ 8,942,400</u>	<u>\$ 5,908,398</u>	<u>\$ 612,987</u>	<u>\$ 6,521,385</u>

Current year expenditures	\$ 612,987
Expenditures financed through other revenues and transfers from other funds	<u>728,167</u>
Total expenditures and transfers out of the SPLOST Capital Projects Fund	<u><u>\$ 1,341,154</u></u>

CITY OF CEDARTOWN, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2014

<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>
2012 Referendum					
Debt Service	\$ 3,488,583	\$ 3,488,583	\$ 0	\$ 144,653	\$ 144,653
Municipal Infrastructure Improvements	2,050,000	2,050,000	0	150	150
Municipal Equipment and Vehicles	1,350,000	1,350,000	0	39,263	39,263
Technology Infrastructure and Improvements	50,000	50,000	0	3,582	3,582
Recreation and Park Improvements	250,000	250,000	0	538	538
Public Land, Buildings and Facilities Improvements	<u>1,781,417</u>	<u>1,781,417</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 8,970,000</u>	<u>\$ 8,970,000</u>	<u>\$ 0</u>	<u>\$ 188,186</u>	<u>\$ 188,186</u>