CITY OF ELLIJAY, GEORGIA

FINANCIAL REPORT

For the Year Ended December 31, 2013

CITY OF ELLIJAY, GEORGIA
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December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council
City of Ellijay, Georgia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the City of Ellijay Retirement Plan on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ellijay, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of projects constructed with special purpose local option sales tax is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of projects constructed 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 nonmajor fund financial statements and the schedule of projects constructed with special purpose local option sales tax are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2014, on our consideration of the City of Ellijay, 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* in considering City of Ellijay, Georgia's internal control over financial reporting and compliance.

R L Jennings + Associates, PC

Ellijay, Georgia
June 27, 2014

CITY OF ELLIJAY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

USING THE AUDIT FOR 2013

The Statement of Net Assets and the Statement of Activities will provide a picture about the activities of the City. Financial Fund Statements will provide a more detailed view of the City's services and the revenue dedicated to provide them.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. The expenses are listed in the first column with the revenues from that particular program reported to the right. The result is a Net (Expenses)/Revenue report. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues and if it is self-financing through fees or grants.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets begins on page 6. The Statement of Activities begins on page 7. These statements include all assets and liabilities using the accrual basis of accounting. All of the 2013 revenues and expenses are taken into account regardless of when cash is received or paid. The difference between income received and liabilities incurred will paint a picture of the City's health.

REPORTING THE CITY'S FUNDS

The Fund Financial statements begin on page 8 and provide detailed information about the funds. Some funds are required to be established by State law and by bond covenants. However, the City establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

THE CITY AS A WHOLE

Condensed Statements of Net Position

Table 1 below presents the City's condensed Statement of Net Position as of December 31, 2012 and 2013.

Table 1: Condensed Statement of Net Position

	Governmental Activities 2012	Governmental Activities 2013	Changes
Assets			
Current and other assets	$ 989,245	$ 933,079	$ (56,166)
Capital assets	4,402,936	4,567,440	164,504
Total Assets	5,392,181	5,500,519	108,338
Liabilities			
Other liabilities	126,631	93,998	(32,633)
Long-term liabilities	549,573	420,989	(128,584)
Total Liabilities	676,204	514,987	(161,217)
Deferred Inflows	0	21,410	21,410
Net Position			
Net investment in capital assets	3,867,059	4,159,153	292,094
Restricted	243,026	88,029	(154,997)
Unrestricted	605,892	716,940	111,048
Total Net Position	4,715,977	4,964,122	248,145
Total Liabilities and Net Position	$ 5,392,181	$ 5,500,519	$ 108,338

The largest component of the City's net position is its investment in capital assets (e.g. land, infrastructure, buildings, equipment, and other), less any related debt outstanding that was needed to acquire or construct the assets. The City uses these capital assets to provide services to the citizens and businesses in the City; consequently, this net position is not available for future spending. Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion of net position is unrestricted, which can be used to finance government operations.

Condensed Statement of Activities

Table 2 below presents the City's condensed Statement of Activities for the years ended December 31, 2012 and 2013. Over time, increases and decreases in net assets measure whether the City's financial position is improving or deteriorating.

Table 2: Condensed Statement of Activities

	Governmental Activities 2012	Governmental Activities 2013	Changes
Revenues:			
Program revenues:			
Charges for services	$ 237,460	$ 262,795	$ 25,335
Capital grants & contributions	495,574	375,009	(120,565)
Operating grants & contributions	10,000	22,086	12,086
General revenues:			
Property taxes	322,098	353,255	31,157
Sales taxes	703,461	637,616	(65,845)
Other revenues and taxes	338,354	378,451	40,097
Total Revenues	2,106,947	2,029,212	(77,735)
Expenses:			
General government	394,824	368,363	(26,461)
Public safety	1,082,307	990,248	(92,059)
Public works	806,427	324,049	(482,378)
Culture and recreation	15,163	15,073	(90)
Judicial	9,878	11,326	1,448
Housing and development	57,224	52,692	(4,532)
Interest on long-term debt	24,840	19,316	(5,524)
Total Expenses	2,390,663	1,781,067	(609,596)
Change in net position	(283,716)	248,145	531,861
Beginning net position	4,748,421	4,715,977	(32,444)
Prior period adjustment	251,272	-0-	(251,272)
Ending net position	$ 4,715,977	$ 4,964,122	$ 248,145

During the year ending December 31, 2013 the net position of the government activities increased $248,145.

Approximately 17% of the City's revenues came from property taxes and approximately 50% came from other taxes. 13% of the City's revenue was derived from charges for services. The City's expenses cover a range of services with 18% related to public works, 56% related to public safety, and 21% related to general governmental activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

As of the close of the year, the City's governmental funds reported a combined ending fund balance of $487,363 with $345,290 reported as unassigned fund balance and the remaining amount of $142,073 restricted or assigned for specific purposes.

The General Fund is the operating fund of the City. At the end of the current fiscal year, the fund balance for the General Fund was $368,820, of which is $21,410 is nonspendable due to reserve for prepaid items. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents 24% of total General Fund expenditures. The net change in the General Fund's fund balance for the year ended December 31, 2013 was an increase of $62,313.

GENERAL FUND BUDGETARY HIGHLIGHTS

During 2013, the City adopted an original budget of $1,598,093 in revenues and $1,598,093 in expenditures. Actual operating revenues of the General Fund fell short by $15,564 while actual operating expenditures were less than anticipated amounts by $76,806.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

At December 31, 2013, the City reported $4,567,440 in capital assets for governmental activities. Major capital asset transactions during the year included the completion of the construction in progress on the Harrison Park Trails and the Streetscapes projects phase IV. Refer to Note 5 to the financial statements for additional information on capital assets.

At December 31, 2013, the City reported long-term debt and obligations of $420,989. This debt consists primarily of capital leases being repaid for the purchase of police cars, a fire truck and the capital lease obtained for the public safety building. Refer to Note 7 to the financial statements for additional information on long-term debt.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact:

City of Ellijay
197 North Main Street
Ellijay, Georgia 30540
Telephone: (706) 635-4711

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

	Governmental Activities
Assets	
Cash and cash equivalents	$ 228,778
Certificates of deposit	83,757
Receivables	497,859
Due from other governments	101,275
Other assets	21,410
Capital assets:	
Nondepreciable capital assets	572,653
Depreciable capital assets, net	3,994,787
Total Assets	5,500,519
Liabilities	
Accounts payable and accrued expenses	93,998
Long-term liabilities:	
Due within one year	142,225
Due in more than one year	278,764
Total Liabilities	514,987
Deferred Inflows	
Advanced receipts	21,410
Net Position:	
Net investment in capital assets	4,159,153
Restricted for:	
Capital projects	87,853
Public safety	176
Unrestricted	716,940
Total Net Position	$ 4,964,122

The notes to financial statements are an integral part of this statement.

CITY OF ELLIJAY, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Primary Government:					
Governmental Activities					
General government	$ 368,363	$ 41,250	$ -	$ -	$ (327,113)
Judicial	11,326	1,553	-	-	(9,773)
Public safety	990,248	207,172	22,086	-	(760,990)
Public works	324,049	-	-	375,009	50,960
Culture and recreation	15,073	-	-	-	(15,073)
Housing and development	52,692	12,820	-	-	(39,872)
Interest on long-term debt	19,316	-	-	-	(19,316)
Total Governmental Activities	$ 1,781,067	$ 262,795	$ 22,086	$ 375,009	(1,121,177)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					353,255
Franchise taxes					267,470
Business taxes					96,890
Sales and excise taxes					637,616
Unrestricted investment earnings					387
Miscellaneous					13,704
Total general revenues					1,369,322
Change in net position					248,145
Net position - beginning of year, as restated					4,715,977
Net position - end of year					$ 4,964,122

The notes to financial statements are an integral part of this statement.

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

	General Fund	Capital Projects Fund	SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	$ 114,068	$ -	$ 74,123	$ 40,583	$ 228,774
Certificates of deposit	80,893	-	-	2,864	83,757
Taxes receivable, net	438,220	-	-	374	438,594
Due from other funds	24,387	-	-	22,086	46,473
Due from other governments	54,501	23,843	22,932	-	101,276
Other receivables	59,266	-	-	-	59,266
Prepaid expenses	21,410	-	-	-	21,410
Total Assets	792,745	23,843	97,055	65,907	979,550
Liabilities					
Accounts payable	35,148	-	-	21,789	56,937
Due to other funds	-	-	30,925	15,548	46,473
Other accrued expenses	34,157	-	-	-	34,157
Total Liabilities	69,305	-	30,925	37,337	137,567
Deferred Inflows					
Unavailable Revenue	354,620	-	-	-	354,620
Total deferred inflows	354,620	-	-	-	354,620
Fund balances:					
Nonspendable	21,410	-	-	-	21,410
Restricted	-	23,843	66,130	1,673	91,646
Assigned	-	-	-	29,017	29,017
Unassigned	347,410	-	-	(2,120)	345,290
Total Fund Balances	$ 368,820	$ 23,843	$ 66,130	$ 28,570	$ 487,363

The notes to financial statements are an integral part of this statement.

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

Total fund balance, governmental funds		$	487,363
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.			4,567,440
Certain other long-term assets, such as deferred taxes, are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.			333,210
Some liabilities, are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. These liabilities include the following:			
Capital leases	$ (408,287)		
Compensated absences	(12,702)		
Accrued interest	(2,902)		(423,891)
Net Position of Governmental Activities in the Statement of Net Position		$	4,964,122

The notes to financial statements are an integral part of this statement.

CITY OF ELLIJAY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	General Fund	Capital Projects Fund	SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	$ 338,414	$ -	$ -	$ -	$ 338,414
General and selective sales tax	575,793	-	-	4,567	580,360
Franchise taxes	261,125	-	-	-	261,125
Insurance premium taxes	83,514	-	-	-	83,514
Alcohol beverage taxes	57,256	-	-	-	57,256
Financial institution taxes	13,376	-	-	-	13,376
Fines and forfeitures	197,350	-	-	3	197,353
Licenses and permits	44,301	-	-	-	44,301
Intergovernmental	-	133,551	241,301	22,086	396,938
Charges for services	2,639	-	-	8,283	10,922
Investment earnings	340	-	149	47	536
Miscellaneous	8,421	-	-	5,858	14,279
Total Revenues	1,582,529	133,551	241,450	40,844	1,998,374
Expenditures:					
Current:					
General government	349,202	-	-	-	349,202
Public safety	851,505	-	-	2,120	853,625
Public works	100,503	-	122,644	7,469	230,616
Judicial	11,326	-	-	-	11,326
Culture and recreation	5,158	-	-	-	5,158
Housing and development	37,374	-	-	14,647	52,021
Capital Outlay:					
Public safety	21,137	-	-	-	21,137
Public works	-	168,794	235,371	-	404,165
Debt Service:					
Principal	124,590	-	-	-	124,590
Interest	20,493	-	-	-	20,493
Total Expenditures	1,521,288	168,794	358,015	24,236	2,072,333
Excess (Deficiency) of Revenues over Expenditures	61,241	(35,243)	(116,565)	16,608	(73,959)
Other Financing Sources (Uses):					
Transfers in	22,942	55,511	-	-	78,453
Transfers out	(21,870)	-	(56,583)	-	(78,453)
Total Other Financing Sources and Uses	1,072	55,511	(56,583)	-	-
Net change in fund balances	62,313	20,268	(173,148)	16,608	(73,959)
Fund balances - beginning of year	306,507	3,575	239,278	11,962	561,322
Fund balances - end of year	$ 368,820	$ 23,843	$ 66,130	$ 28,570	$ 487,363

The notes to financial statements are an integral part of this statement.

CITY OF ELLIJAY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Net change in fund balances - total governmental funds:	$	(73,959)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
This is the amount by which capital outlays of $425,302 exceeded depreciation of $260,798 in the current period.		164,504
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		25,905
Governmental funds report repayment of capital leases as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of capital lease principal payments during the current period.		129,524
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Accrued compensated absences		994
Accrued interest		1,177
Change in net position of governmental activities	$	248,145

The notes to financial statements are an integral part of this statement.

CITY OF ELLIJAY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property taxes	$ 300,290	$ 338,414	$ 338,414	$ -
Sales and miscellaneous taxes	1,082,100	991,064	991,064	-
Fines and forfeitures	150,000	197,350	197,350	-
Licenses and permits	61,653	44,301	44,301	-
Charges for services	3,250	2,639	2,639	-
Investment earnings	300	340	340	-
Miscellaneous	500	8,421	8,421	-
Total Revenues	1,598,093	1,582,529	1,582,529	-
Expenditures:				
General government				
Legislative	19,377	17,896	17,896	-
Executive and administrative	351,509	331,306	331,306	-
Judicial				
Court	14,000	11,326	11,326	-
Public safety				
Police	635,695	632,358	632,358	-
Fire	428,062	385,366	385,366	-
Public works				
Streets and sidewalks	104,876	100,503	100,503	-
Culture and recreation				
Library	5,000	4,000	4,000	-
Parks	2,500	1,158	1,158	-
Housing and development				
Better Hometown	37,074	37,374	37,374	-
Total Expenditures	1,598,093	1,521,287	1,521,287	-
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	-	61,242	61,242	-
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	-	-	-
Transfers in	-	-	22,942	22,942
Transfers out	-	-	(21,870)	(21,870)
Total Other Financing Sources and Uses	-	-	1,072	1,072
Net Change in Fund Balances	-	61,242	62,314	1,072
Fund Balances, beginning of year, as restated	306,507	306,507	306,507	-
Fund Balances, end of year	$ 306,507	$ 367,749	$ 368,821	$ 1,072

The notes to financial statements are an integral part of this statement.

1. SUMMARY OF ACCOUNTING POLICIES

The financial statements of the City of Ellijay, Georgia, ("the City"), have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The City's basic financial statements include the City's accounts of all operations. The criteria for including organizations within the City's reporting entity, as set forth in Governmental Accounting Standards Board's Statement No. 14 (GASB 14), "The Financial Reporting Entity", is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. As of December 31, 2013, there are no component units included in the financial statements of the City.

The City of Ellijay Housing Authority is recognized as a related organization of the City in that the City appoints the board members of the Authority. It exists in order to provide housing for low-income individuals that reside in the City limits and meet certain eligibility requirements. Payments in lieu of taxes are made to the City rather than property taxes.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The government-wide 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 the related cash flows. Property taxes are recognized as revenues in the

year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

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

The Capital Projects Fund is used to account for the acquisition of capital assets or construction of major capital projects, such as the Streetscape projects and the Harrison Park Trails project.

The SPLOST Fund is used to account for the revenues provided by the 1% Gilmer County Special Purpose Local Option Sales Tax and expenditures for road and street purposes as called for in the referendum.

D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

E. CASH AND CASH EQUIVALENTS

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

F. INTERFUND RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds."

G. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. In accordance with GASB 34, infrastructure assets acquired prior to January 1, 2004, have not been capitalized as of December 31, 2013. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred.

Capital assets are depreciated using the straight-line method over the following useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	20 – 50
Buildings	25 – 50
Land improvements	15 – 30
Machinery and Equipment	5 – 20
Vehicles	5 – 12

I. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused annual leave benefits during the year. Upon termination and retirement, employees are paid for unused accumulated vacation up to maximum amounts as set by the Mayor and Council. The City's sick leave policy provides for an accumulation of earned sick leave. Sick leave does not vest for retirement or termination purposes. Unused sick leave may be used for long-term illnesses that may occur.

The liability for compensated absences in the government-wide statements consists of unpaid, accumulated annual vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

J. DEFERRED REVENUES

In preparing the accompanying financial statements, the City has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and No. 65, Items Previously Reported as Assets and Liabilities. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of financial position.

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 and so will not be recognized as an inflow of resources (revenue) until that time. Items which qualify to be reported within this element include property taxes levied in 2013 for the 2014 budget and certain unavailable revenues under the *current financial resources measurement focus.* Accordingly, such items appear in the governmental funds balance sheet as deferred inflows of resources and will be recognized as an inflow of resources in 2014 or the period in which the amounts become available.

K. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

L. FUND EQUITY

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

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

- *Nonspendable* – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- *Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors grantors, or laws or regulations of other governments.
- *Assigned* – Fund balances are reported as assigned when intended to be used by the government for specific purposes, but are neither restricted nor committed. Undesignated excess fund balances may be assigned for specific purposes by the City Council itself, City Manager, or Finance Director through the budget process or agenda items. The assigned designation may be reversed by the City Council.
- *Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

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

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. USE OF ESTIMATES

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The applicable statutes of the State of Georgia require the City to operate under an annual balanced budget adopted by resolution. A budget is defined as being balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. Each fund's appropriated budget is prepared on a detailed line-item basis with revenues being budgeted by source and expenditures being budgeted by line-item. The legal level of control for the City's budget is at the departmental level. Budget revisions at this level are subject to final review by the Mayor and City Council.

Annual budgets were adopted on a basis consistent with generally accepted accounting principles and on the same basis of accounting used by the fund to which the budget applies. All appropriations lapse at year end.

3. DEPOSITS AND INVESTMENTS

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

Currently, the City does not have investments, and has not yet adopted a formal investment policy for future investments that would limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

4. RECEIVABLES

Collection of each year's property taxes by the City is not always completed in the current year. Consequently, current year property taxes receivable are only measurable based on actual collections within sixty days of the fiscal year end at which time the audit is completed. Those current and prior year property taxes that are collected within sixty days of the fiscal year end are susceptible to accrual and therefore are accrued and reflected in revenue. Taxes receivable are shown net of an allowance for doubtful accounts of $6,946. Collections within sixty days of the fiscal year end are recorded as revenue and those receivables, which are not collected within the specified time period, are shown as deferred revenues on the balance sheet when material.

Fines receivable for the fiscal year ended 2013 totaled $89,834. An allowance for uncollectible fines of $30,569 was established resulting in a net receivable of $59,265 as reported on the financial statements. Collections within sixty days of the fiscal year end are recorded as revenue and those receivables, which are not collected within the specified time period, are shown as deferred revenues on the balance sheet when material.

The City's property tax calendar for both the 2013 property tax bills was as follows:

Levy date	November 12, 2013
Due date	January 20, 2014
Delinquent date	January 21, 2014
Lien date	March 23, 2014

Balances due from other governments include the following:

General Fund	
Georgia Department of Revenue (LOST)	$ 54,501
Capital Projects Fund	
Georgia Department of Natural Resources	$ 23,842
SPLOST Fund	
Gilmer County Board of Commissioners	$ 22,932

5. CAPITAL ASSETS

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

	Beginning Balances	Additions	Deletions/ Reclassification	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 415,068	$ -	$ -	$ 415,068
Construction in Progress	350,048	227,072	(419,535)	157,585
Total capital assets not being depreciated	765,116	227,072	(419,535)	572,653
Capital assets being depreciated:				
Infrastructure	1,474,480	177,093	251,549	1,903,122
Buildings	2,550,141	-	-	2,550,141
Land Improvements	167,619	-	167,986	335,605
Machinery and equipment	537,554	-	-	537,554
Vehicles	1,017,446	21,137	-	1,038,583
Total capital assets being depreciated	5,747,240	198,230	419,535	6,365,005
Less accumulated depreciation:				
Infrastructure	(420,035)	(83,692)	-	(503,727)
Buildings	(393,250)	(51,893)	-	(445,143)
Land Improvements	(127,382)	(12,257)	-	(139,639)
Machinery and equipment	(440,588)	(25,801)	-	(466,389)
Vehicles	(728,165)	(87,155)	-	(815,320)
Total accumulated deprecation	(2,109,420)	(260,798)	-	(2,370,218)
Total capital assets being depreciated, net	3,637,820	(62,568)	419,535	3,994,787
Governmental activities capital assets, net	$ 4,402,936	$ 164,504	$ 419,535	$ 4,567,440

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

Governmental activities:	
General government	$ 18,914
Public safety	138,621
Public works	93,348
Culture and recreation	9,915
Total	$ 260,798

6. INTERFUND BALANCES AND ACTIVITY

Interfund Receivables/Payables
Balances due to/from other funds at December 31, 2013 consist of the following:

$ 8,838	Due to the General Fund from the SPLOST Fund for allocation of payroll expenditures.
37,635	Due to the General Fund from nonmajor governmental funds for operating expenditures and allocation of payroll expenditures.
$ 46,473	

Transfers To/From Other Funds
Transfers to/from other funds consist of the following at December 31, 2013:

$ 21,870	Transfer from General Fund to Capital Projects Fund for capital project expenditures.
22,942	Transfer from SPLOST fund to General Fund for capital project expenditures
3,641	Transfer from SPLOST fund to Capital Projects Fund for capital project expenditures.
$ 78,453	

The outstanding balances between funds primarily result from the time lag between dates that (1) interfund reimbursable expenditures occur and (2) payments between funds are made. All interfund balances are expected to be repaid within one year from the date of the financial statements.

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

7. LONG TERM DEBT

The City has entered into capital leases for the purchase of fixed assets. The following is a summary of capital leases for governmental-type activities at December 31, 2013:

Municipal Asset Management, fire truck lease payable in annual installments of $53,143, including interest at 4.05%. Original balance of $429,993, matures June 2015.	$ 100,162
United Community Bank, fire station lease payable in monthly installments of $7,662, including interest at 4.19%. Original balance of $750,000, matures December, 2017.	308,125
	$ 408,287

Future minimum payments under these capital leases consisted of the following at December 31, 2013:

	Principal	Interest	Total
2014	$ 129,524	$ 15,558	$ 145,082
2015	134,945	10,137	145,082
2016	87,450	4,491	91,941
2017	56,368	929	57,297
	$ 408,287	$ 31,115	$ 439,402

The following total represents capital assets purchased with the above capital leases and the related accumulated depreciation:

	Asset	Accumulated Depreciation	Net Book Value
Fire station	$ 1,718,212	$ 206,185	$ 1,512,027
Fire truck	434,123	280,371	153,752
	$ 2,152,335	$ 486,556	$ 1,665,779

The following represents the changes in long-term debt from the previous year:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Capital leases	$ 535,877	$ -	$ 127,590	$ 408,287	$ 129,524
Compensated absences	13,696	19,410	20,404	12,702	12,702
	$ 549,573	$ 19,410	$ 147,994	$ 420,989	$ 142,226

Compensated absences are generally liquidated in prior years in the fund in which the liabilities were incurred, primarily the General Fund.

8. FUND EQUITY

Components of Fund Equity in the Governmental Funds
The General Fund reflects a portion of fund balance as nonspendable for the purpose of prepaid insurance totaling $21,410. The Capital Projects Fund and the SPLOST Fund reflect fund balance in the amount of $23,843 and $66,130, respectively, as restricted for purposes of construction projects. The nonmajor funds reflect fund balance totaling $176 for legislative requirements for public safety and $1,497 for tourism. Additionally, the remainder of the fund balance in the nonmajor funds is shown as assigned in the amount of $29,017, due to management setting aside amounts for purposes of capital projects, community development, and cemetery maintenance.

Bond Escrow Fund Balance Deficit
The Bond Escrow Fund had a deficit fund balance of $2,120 at December 31, 2013. The City expects to generate future revenues to offset this deficit. The City's General Fund has an adequate surplus to provide for the deficit fund balances in the event that sufficient revenues cannot be generated

9. HOTEL/MOTEL LODGING TAX

The City has levied a 5% lodging tax. During the year ended December 31, 2013, the City collected taxes totaling $4,567. State law requires that the City expend an amount equal to 40% to promote tourism. During 2013, the City expended $2,076, or approximately 45%, for the required purpose of tourism and, therefore, was in compliance with the provisions of Section 48-13-51 of the Official Code of Georgia.

10. DEFINED BENEFIT PENSION PLAN

Plan Description. The City sponsors the City of Ellijay Retirement Plan (the "Plan"), which is a defined benefit pension plan. The plan provides retirement and disability benefits, and death benefits to plan members and beneficiaries. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The GMEBS assigns the authority to establish and amend the benefit provisions of the plans that participate in GMEBS to the respective employer entities. For the Plan, the authority rests with the City of Ellijay, Georgia. The Georgia

Municipal Association issued a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to the Georgia Municipal Association, Employee Benefit Section, 201 Pryor Street, SW, Atlanta, GA 30303-3606, or calling (404) 688-0472.

Funding Policy. The City is required to contribute at an actuarially determined amount annually to the Plan's trust. The contribution amount is determined using actuarial methods and assumptions approved by the GMEBS Plan trustees and must satisfy the minimum contribution requirement in the State of Georgia statutes. Only the City, as the employer, makes contributions to the plan. Participating employees become eligible after the first full calendar year of employment and become vested in the plan after five years of service. The City's contributions to the plan during 2013 totaled $32,098, representing 4.92% of expected payroll of covered employees. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

Plan Membership
Participant counts as of July 1, 2013 (the most recent date of actuarial valuation) are shown below:

Disabled employees, retirees, and beneficiaries currently receiving benefits	13
Terminated employees entitled to benefits but not yet receiving benefits	15
Active plan members	23
Total membership	51

Annual Pension Cost. The funding policy for the Plan is to contribute an amount equal to the recommended contribution as determined by the Plan's actuary. The chart below shows the annual pension cost for the current year and the prior two years along with the percentage actually contributed by the City.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)

Fiscal Period Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2013	$32,098	100%	$ -
December 31, 2012	$27,652	100%	$ -
December 31, 2011	$27,362	100%	$ -

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Surplus) AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) – (a)] / (c)
7/1/2013	$ 661,118	$ 651,155	$ (9,963)	101.53%	$ 542,943	0.00%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

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

The assumptions used in the July 1, 2013 actuarial valuation are as follows:

Actuarial Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at the beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted to be within 50% of market value for 2013.
Assumed Rate of Return on Investments	7.75% on-going basis
Projected Salary Increases	3.5% plus age and service based on merit increases
Inflation rate	3.50%
Cost-of-Living Adjustment	0.00%
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	N/A

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; and worker's compensation for which the City carries the following insurance coverage.

Risk Pools

The City has insurance coverage with a local agency. Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the City's management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by the agency, as well as following loss reduction and prevention procedures established by the agency. The agency's responsibility includes paying claims, and representing the City in defense and settlement of claims. The agency's basis for establishing the liabilities for unpaid claims is established by an actuary. The City has not compiled a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims that the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2013. No provisions have been made in the financial statements for the year ended December 31, 2013 for any estimate of potential unpaid claims.

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMAWCSIF), a risk management agency created under Georgia law. As a participant in the GMAWCSIF, the City has no legal obligation to pay its own workers' compensation determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the GMAWCSIF permits the fund to levy an assessment upon its members to make up any deficiency the fund may have in surplus reserves. No amount has been recorded in the financial statements for this contingency, as management believes the likelihood for assessment is remote. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

There were no significant reductions of insurance coverage compared to the prior year. Settled claims have not exceeded the commercial excess coverage in any of the past three fiscal years.

12. JOINT VENTURE

The City, in conjunction with cities and counties in the fifteen (15) county Northwest Georgia area are members of the Northwest Georgia Regional Commission (NWGRC), formerly known as the North Georgia Regional Development Center, which merged with Coosa Valley Regional Development Center in 2009 as mandated by State law. Membership in a commission is automatic for each municipality and county in the State. The Official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of regional development centers and was amended in 2008 to consolidate the existing centers into organizations called Regional Commissions (RCs). Each county and municipality in the State is

required by law to pay minimum annual dues to the RC. The City paid their annual dues to the NWGRC for the year ended December 31, 2013. The RC Board membership includes the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the non-public Board member from a County.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDCs (later transferred to RCs) "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond its resources, (O.C.G.A. 50-8-39.1).

Complete financial statements of the NWGRC can be obtained directly from their office at the following address:

Northwest Georgia Regional Commission
503 West Waugh Street
Dalton, GA 30720

13. COMMITMENTS AND CONTINGENT LIABILITIES

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

Commitments
The City routinely enters into agreements and commitments during the year in the ordinary course of business. Such agreements do not give rise to assets or liabilities considered material.

Litigation
The City is involved in a pending litigation, as plaintiff, regarding a contract dispute with the contractor involved in the City's recreation trails project. The defendant has filed a counterclaim against the City. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ELLIJAY, GEORGIA
SCHEDULE OF FUNDING PROGRESS FOR THE
CITY OF ELLIJAY RETIREMENT PLAN
For the Year Ended December 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Surplus) AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
07/01/13	$ 661,118	$ 651,155	$ (9,963)	101.53%	$ 542,943	0.00%
07/01/12	$ 641,492	$ 640,696	$ (796)	100.12%	$ 641,607	0.00%
07/01/11	$ 626,295	$ 616,652	$ (9,643)	101.56%	$ 507,498	0.00%
07/01/10	$ 588,594	$ 570,172	$ (18,422)	103.23%	$ 480,808	0.00%
01/01/09	$ 431,423	$ 535,645	$ 104,222	80.54%	$ 561,606	18.56%
01/01/08	$ 511,788	$ 494,159	$ (17,629)	103.57%	$ 561,108	0.00%

Note: See assumptions used for these schedules disclosed in the notes to financial statements.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds						
	Multiple Grant Fund	Better Hometown Fund	Confiscated Assets	Cemetery Fund	Hotel/Motel Fund	Bond Escrow Fund	Total
Assets							
Cash	$ 214	$ 4,014	$ 176	$ 11,745	$ 5,473	$ 18,961	$ 40,583
Due from other funds	22,086	-	-	-	-	-	22,086
Certificates of deposit	-	-	-	2,864	-	-	2,864
Taxes receivable	-	-	-	-	374	-	374
Total Assets	$ 22,300	$ 4,014	$ 176	$ 14,609	$ 5,847	$ 18,961	$ 65,907
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	$ -	$ 708	$ -	$ -	$ -	$ 21,081	$ 21,789
Due to other funds	-	-	-	11,198	4,350	-	15,548
Total Liabilities	-	708	-	11,198	4,350	21,081	37,337
Fund Balances:							
Restricted	-	-	176	-	1,497	-	1,673
Assigned	22,300	3,306	-	3,411	-	-	29,017
Unassigned	-	-	-	-	-	(2,120)	(2,120)
Total Fund Balances (Deficit)	22,300	3,306	176	3,411	1,497	(2,120)	28,570
Total Liabilities and Fund Balances	$ 22,300	$ 4,014	$ 176	$ 14,609	$ 5,847	$ 18,961	$ 65,907

CITY OF ELLIJAY, GEORGIA
COMBINING STATEMENT OF OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	Special Revenue Funds						
	Multiple Grant Fund	Better Hometown Fund	Confiscated Assets	Cemetery Fund	Hotel/Motel Fund	Bond Escrow Fund	Total
Revenues:							
Selective sales taxes	$ -	$ -	$ -	$ -	$ 4,567	$ -	$ 4,567
Fines and forfeitures	-	-	3	-	-	-	3
Intergovernmental	22,086	-	-	-	-	-	22,086
Charges for services	-	8,283	-	-	-	-	8,283
Investment earnings	33	1	-	13	-	-	47
Miscellaneous	8	-	-	5,850	-	-	5,858
Total Revenues	22,127	8,284	3	5,863	4,567	-	40,844
Expenditures:							
Current:							
Public safety	-	-	-	-	-	2,120	2,120
Public works	-	-	-	7,469	-		7,469
Housing and development	-	12,571	-	-	2,076		14,647
Total Expenditures	-	12,571	-	7,469	2,076	2,120	24,236
Excess (Deficiency) of Revenues over Expenditures Before Other Financing Sources (Uses)	22,127	(4,287)	3	(1,606)	2,491	(2,120)	16,608
Other Financing Sources (Uses)							
Transfers out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
Net change in fund balances	22,127	(4,287)	3	(1,606)	2,491	(2,120)	16,608
Fund Balances - beginning of year	173	7,593	173	5,017	(994)	-	11,962
Fund Balances (deficit) - end of year	$ 22,300	$ 3,306	$ 176	$ 3,411	$ 1,497	$ (2,120)	$ 28,570

CITY OF ELLIJAY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the Year Ended December 31, 2013

PROJECT	Estimated Cost		Expenditures			Estimated % of Completion
	Original	Current	Prior Years	Current Year	Total	
SPLOST 2009						
Road, street and bridge purposes, which purposes may include sidewalks and bicycle paths	$ 2,355,500	$ 2,355,500	$ 822,102	$ 358,015	1,180,117	50%

Note A: Basis of Accounting ---This schedule has been prepared on the modified accrual basis of accounting.

INTERNAL CONTROL AND COMPLIANCE

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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*

To the Honorable Mayor and Members
of the City Council of
City of Ellijay, 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, each major fund, and the aggregate remaining fund information of City of Ellijay, Georgia, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise City of Ellijay, Georgia's basic financial statements and have issued our report thereon dated June 27, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, and are identified as Finding 2013-1 and 2013-2.

Compliance and Other Matters

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

City of Ellijay, Georgia's Response to Findings

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

Purpose of this Report

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

RL Jennings & Associates, PC

Ellijay, Georgia
June 27, 2014

Current year finding:

2013-1 Segregation of Duties

Criteria: Segregation of employees' duties is a common practice in an effective internal control structure. Policies should be in place requiring the segregation of duties involving cash receipts, cash disbursements, payroll, general ledger and bank reconciliation.

Condition/Context: During the course of the audit, we noted that duties are not segregated as to prevent employees from being placed in a position to have absolute control over functions of cash disbursements/accounts payable, general ledger posting, and bank reconcilements.

Effect: Without segregation of duties within these functions, there is increased exposure that someone could intentionally or unintentionally misappropriate the City's assets.

Cause: The limited number of employees at City Hall and the resulting overlapping of duties cause segregation of duties to be difficult.

Recommendation: To the extent possible, duties should be segregated to maintain the best control system possible. We feel segregation of duties could be improved if different employees performed the separate duties of processing cash disbursements, and maintaining the general ledger. Ideally, an effort should be made to divide the duties of the available personnel in such a manner as to achieve the greatest possible segregation of duties. In situations where additional personnel are not available, an effort should be made for a review of bank reconcilements and journal entries by a person independent of that function. Increased Council involvement in the City's finances is also encouraged to strengthen internal controls. When these suggestions are implemented, the City's system of internal control will be enhanced, so that the risk of employee misappropriation of assets is reduced.

Response: The lack of segregation of duties is a recurring item that due to the limited number of employees is difficult to accomplish. Management plans to continue close involvement with the City's finances to aid in this matter.

2013-2 General Ledger Maintenance and Material Adjustments

Criteria: The City is responsible for preparing annual financial statements in accordance with generally accepted accounting principles (GAAP). Recording transactions on an accrual basis (or where applicable, the modified accrual basis) is in accordance with GAAP and provides more meaningful financial information.

Condition/Context: Although the year-end financial statements are prepared on the appropriate accrual basis (modified accrual basis, where applicable), the City maintains its general ledger on a cash basis throughout the year. The City did record accruals and deferrals at year-end, but during the course of the audit we noted several material corrections that were necessary to properly reflect the entries that had been posted.

Effect: Failure to properly record accruals of revenue and expenditures (expenses) distorts the financial information that is provided to management and the City Council, and may lead to critical financial decisions being made on erroneous data.

Cause: There is no routine preparation or reconcilement of detailed account balances for the accrual adjusting entries in order to post to the appropriate general ledger accounts.

Recommendation: We realize that the procedure of maintaining the City's general ledger on the accrual/modified accrual basis throughout the year can be a time consuming task. Therefore, we suggest that the City implement a procedure in which books are kept on a cash basis, and accrual adjustments are made prior to year-end and agreed to supporting calculation workpapers. Interim financial information could then be maintained on the cash basis to simplify the monthly reporting procedures. This practice would enable the City to enjoy the best features of both methods: properly adjusted accrual financial reporting for year-end accounting, and more easily produced interim financial statements for monthly reporting to the City Council.

Response: The City agrees with this finding and will balance year-end accruals with supporting workpapers for the calculations.