

CITY OF METTER, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Metter, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Metter, Georgia, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Metter, Georgia, as of September 30, 2013, and the

respective changes in financial position, and, where applicable, cash flows 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 on pages 5–12 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 Metter, Georgia's basic financial statements. The combining and individual fund financial statements and the schedule of projects paid with special purpose local option sales tax proceeds 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 the schedule of projects paid with special purpose local option sales tax proceeds 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 the schedule of projects paid with special purpose local option sales tax proceeds 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 February 25, 2014, on our consideration of the City of Metter, 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 Metter, Georgia's internal control over financial reporting and compliance.

Thigpen, Lanier, Waterfield + Dal

Statesboro, Georgia
February 25, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Metter, Georgia's (the City's) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City had total net position (assets exceeded liabilities) of \$14,283,808 at 2013 fiscal year-end.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$10,100,330 includes property and equipment, net of accumulated depreciation, reduced by outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$1,796,673 is restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$2,386,805 represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$3,107,515, compared to \$2,426,871 in fiscal year 2012. This is a \$680,644 (or 28%) increase.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,149,941, or 35.4% of total General Fund expenditures.

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by sales and property taxes from business-type activities that are intended to recover all or a significant portion of their costs through user fees and

charges. Governmental activities include general government, public safety, public works, health and welfare, culture and recreation, and housing and development. Business-type activities include the water and sewer system.

The government-wide financial statements are presented on pages 13 and 14 of this report.

Fund Financial Statements

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

The City has two kinds of funds:

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 15-20 of this report.

2. *Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City's only proprietary fund is classified as an enterprise fund. This enterprise fund essentially encompasses the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City for water and sewer utilities.

The basic enterprise fund financial statements are presented on pages 21-23 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 24 of this report.

Financial Analysis of the City as a Whole

The City's net position at the end of fiscal year 2013 was \$14,283,808, compared to the fiscal year 2012 figure of \$12,894,917. The following table provides a summary of the City's net position:

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current assets	\$ 3,332,707	\$ 2,797,521	\$ 1,187,330	\$ 1,061,655	\$ 4,520,037	\$ 3,859,176
Capital assets	5,830,797	5,488,177	5,060,021	4,839,132	10,890,818	10,327,309
Total assets	9,163,504	8,285,698	6,247,351	5,900,787	15,410,855	14,186,485
Liabilities:						
Current liabilities	226,725	315,321	186,584	180,146	413,309	495,467
Long-term liabilities	174,312	151,874	539,426	644,227	713,738	796,101
Total liabilities	401,037	467,195	726,010	824,373	1,127,047	1,291,568
Net position:						
Net investment in capital assets	5,662,390	5,364,302	4,437,940	4,122,416	10,100,330	9,486,718
Restricted for capital projects	1,796,673	1,407,308	-	-	1,796,673	1,407,308
Unrestricted	1,303,404	1,046,893	1,083,401	953,998	2,386,805	2,000,891
Total net position	\$ 8,762,467	\$ 7,818,503	\$ 5,521,341	\$ 5,076,414	\$ 14,283,808	\$ 12,894,917

The City continues to maintain a high current ratio. The current ratio compares current assets to current liabilities, and is an indication of the ability to pay current obligations. For fiscal year 2013, the current ratio for governmental activities is 14.7 and 6.4 for business type activities. For fiscal year 2012, the current ratio for governmental activities was 8.9, and for business type activities 5.9. For the City, overall, the current ratio for fiscal year 2013 is 10.9, compared to 7.8 for fiscal year 2012. These ratios are very strong.

The City reported positive balances in net position for both governmental and business-type activities. Net position increased by \$943,964 for governmental activities and by \$444,927 for business-type activities. The City's overall financial position increased \$1,388,891 during fiscal year 2013.

Note that 64.6% of the governmental activities' net position was invested in capital assets. The City uses these capital assets to provide services to its citizens. On the business type activities, the City has spent 80.4% of its net position on capital assets. Capital assets in the business type activities provide utility services, which generate revenues for this fund. Expansion of these systems is necessary for the continued growth of the City and for its financial position, as this utility system generates considerable revenue for all the City's operations. 70.7% of the City's total net position was included in capital assets.

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

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program:						
Charges for services	\$ 568,643	\$ 550,724	\$ 1,106,725	\$ 1,117,298	\$ 1,675,368	\$ 1,668,022
Operating grants	247,720	294,050	-	-	247,720	294,050
Capital grants and contributions	1,058,366	622,087	374,318	64,887	1,432,684	686,974
General:						
Taxes	2,059,462	2,036,086	-	-	2,059,462	2,036,086
Other	118,997	48,661	1,841	1,478	120,838	50,139
Total revenues	<u>4,053,188</u>	<u>3,551,608</u>	<u>1,482,884</u>	<u>1,183,663</u>	<u>5,536,072</u>	<u>4,735,271</u>
Program Expenses:						
General government	503,761	507,006	-	-	503,761	507,006
Municipal court	9,280	8,478	-	-	9,280	8,478
Public safety	1,206,973	1,246,425	-	-	1,206,973	1,246,425
Public works	974,327	967,236	-	-	974,327	967,236
Health and welfare	10,556	16,789	-	-	10,556	16,789
Culture and recreation	152,992	154,568	-	-	152,992	154,568
Housing and development	193,819	182,599	-	-	193,819	182,599
Interest	4,244	7,451	-	-	4,244	7,451
Water and sewer	-	-	1,091,229	1,098,368	1,091,229	1,098,368
Total expenses	<u>3,055,952</u>	<u>3,090,552</u>	<u>1,091,229</u>	<u>1,098,368</u>	<u>4,147,181</u>	<u>4,188,920</u>
Excess (deficiency)	997,236	461,056	391,655	85,295	1,388,891	546,351
Transfers	(53,272)	(192,244)	53,272	192,244	-	-
Change in net position	943,964	268,812	444,927	277,539	1,388,891	546,351
Beginning net position	<u>7,818,503</u>	<u>7,549,691</u>	<u>5,076,414</u>	<u>4,798,875</u>	<u>12,894,917</u>	<u>12,348,566</u>
Ending net position	<u>\$ 8,762,467</u>	<u>\$ 7,818,503</u>	<u>\$ 5,521,341</u>	<u>\$ 5,076,414</u>	<u>\$ 14,283,808</u>	<u>\$ 12,894,917</u>

GOVERNMENTAL REVENUES

The City is heavily reliant on taxes to support governmental activities operations. In total, taxes make up 50.8% of revenues as compared to 57.3% in fiscal year 2012. Sales taxes provided \$639,425 or 15.8% of the City's total governmental activities revenues as compared to 18.4% in fiscal year 2012. Property taxes are the largest revenue source totaling \$697,951 of revenues or 17.2% of total revenues as compared to 18.4% in fiscal year 2012.

Capital grants include \$522,061 in special purpose local option sales taxes (SPLOST) received from Candler County for capital projects and \$29,687 in transportation special purpose local option sales taxes (T-SPLOST). SPLOST and T-SPLOST revenue provided 13.6% of the City's total governmental revenues as compared to 11.3% in fiscal year 2012.

Also, note that program revenues covered 61.3% in fiscal year 2013, and 47.5% in fiscal year 2012 of governmental operating expenses. This means that the government's taxpayers and the City's other general governmental revenues funded the remaining 38.7% in fiscal year 2013, and 52.5% in fiscal year 2012 of the governmental activities. As this documents, the general economy and the local businesses have a major impact on the City's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

The public safety function comprises 39.5% of the City's total governmental activity expenses as compared to 40.3% for fiscal year 2012. The public works function comprises 31.9% of the total governmental activity expenses as compared to 31.2% for fiscal year 2012. Of the total \$3,055,952 of governmental activity expenses, depreciation is \$369,067 or 12.1% of that total.

The following table presents the cost of each of the City's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the City's taxpayers by each of these functions.

	Governmental Activities		2012	
	2013			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 503,761	\$ 400,351	\$ 507,006	\$ 402,891
Municipal court	9,280	9,280	8,478	8,478
Public safety	1,206,973	829,537	1,246,425	816,095
Public works	974,327	(419,556)	967,236	34,820
Health and welfare	10,556	10,556	16,789	16,789
Culture and recreation	152,992	152,992	154,568	154,568
Housing and development	193,819	193,819	182,599	182,599
Interest	4,244	4,244	7,451	7,451
Total	\$ 3,055,952	\$ 1,181,223	\$ 3,090,552	\$ 1,623,691

For fiscal year 2013, all but the public works function required a subsidy from general revenues. All functions required a subsidy from general revenues for fiscal year 2012.

BUSINESS-TYPE ACTIVITIES
Revenues vs. Expenses

The City's sole enterprise fund is the water and sewer system fund. The operating revenues for this fund decreased by \$10,573, or 0.9%, from that of fiscal year 2012. Operating expenses decreased \$7,316 or 0.7%. Overall, the change in net position was an increase of \$444,927 as compared to an increase of \$277,539 in fiscal year 2012.

Financial Analysis of the City's Funds

Governmental Funds

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$3,107,515, as compared to \$2,426,871 at September 30, 2012. Of this year-end total, \$1,149,941 was unassigned indicating availability for continuing City service requirements. \$1,796,673 in fund balance is restricted for capital projects.

The total ending fund balances of governmental funds show an increase in fiscal year 2013 of \$680,644 or 28% compared to an increase in fiscal year 2012 of \$124,222, or 5.4%.

Major Governmental Funds

General Fund - The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance increased by \$291,279 or 28.6% as compared to a \$138,688 or 9.3% increase in fiscal year 2012.

At the fund reporting level, total taxes increased \$57,786 or 2.9% from that of fiscal year 2012. Total property taxes increased \$38,366 or 6.4% from fiscal year 2012. Local option sales taxes decreased \$12,919 or 2%. Franchise taxes decreased \$20,938 or 6.5%.

Intergovernmental revenue increased \$229,851 or 44.7% as a result of receiving large capital grants for street improvements.

Most other revenue streams were consistent with those of fiscal year 2012. Total general fund revenues increased \$337,806 or 10.9% from 2012.

In fiscal year 2013, general fund expenditures increased \$151,146 or 4.9% from last year. General government expenditures decreased \$26,961 or 5.2%. Public works expenditures increased \$200,542 or 20.5% as a result of the Streetscape project which was funded by the increase in capital grants mentioned above. Debt service expenditures decreased \$33,117 or 31.9%.

The General Fund's ending unassigned fund balance of \$1,149,941 is considered adequate, representing the equivalent of 35.4% of annual expenditures as compared to 31.9% at September 30, 2012.

Hotel/Motel Fund - The City recognized \$55,603 in hotel/motel taxes, which was expended during the year. This amount compares to a \$52,915 amount in fiscal year 2012. These resources are paid to the City's Welcome Center. There is no fund balance at September 30, 2013.

2005 SPLOST Fund - The amount expended in fiscal year 2013 on projects approved in this SPLOST referendum included the following:

- Street and drainage improvements (\$66,522)
- Water and Sewer system improvements and expansion (\$45,672)

2011 SPLOST Fund - The amount expended in fiscal year 2013 on projects approved in this SPLOST referendum included the following:

- Street improvements (\$12,422)
- Public safety vehicles and equipment (\$35,268)

The City recognized \$522,061 for its share of the Candler County SPLOST. This amount compares to \$401,747 recognized in fiscal year 2012.

The Proprietary Fund

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Therefore, the analysis is presented above.

Budgetary Highlights - General Fund

Overall, the City recognized revenues equal to 98.3% of budgeted revenues in the final appropriated budget. Overall, the City recognized expenditures equal to \$390,188 less than, or 10.7% under budgeted expenditures in the final appropriated budget.

On the revenue side of the budget, intergovernmental revenue came in \$137,460 lower than the amended budget. In total, General Fund revenues came in \$58,706 less than the budgeted amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 For the Year Ended September 30, 2013

City of Metter, Georgia

On the expenditure side, the public safety function budget was under spent by \$79,388 and the roadways and walkways budget was under spent by \$243,479.

Fund Balance increased by \$334,794 over the amount budgeted.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2013 was \$5,830,797 and \$5,060,021, respectively, for a total of \$10,890,818. This net investment increased by 6.2% for governmental activities and increased by 4.6% for business-type activities. The overall increase was 5.5% for the City as a whole. See Note 8 for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

	Governmental Activities		Business Activities		Total Activities	
	2013	2012	2013	2012	2013	2012
Non-depreciable assets:						
Land	\$ 384,003	\$ 337,500	\$ 492,280	\$ 492,280	\$ 876,283	\$ 829,780
Construction in progress	7,022	228,863	40,979	101,283	48,001	330,146
Total non-depreciable assets	391,025	566,363	533,259	593,563	924,284	1,159,926
Depreciable assets:						
Buildings	2,031,523	2,031,523	94,767	94,767	2,126,290	2,126,290
Land improvements	566,010	566,010	-	-	566,010	566,010
Water and sewer system	-	-	8,423,393	7,929,985	8,423,393	7,929,985
Machinery and equipment	2,292,385	2,134,737	909,295	909,295	3,201,680	3,044,032
Infrastructure	10,132,240	9,415,761	-	-	10,132,240	9,415,761
Total depreciable assets	15,022,158	14,148,031	9,427,455	8,934,047	24,449,613	23,082,078
Less accumulated depreciation	9,582,386	9,226,217	4,900,693	4,688,478	14,483,079	13,914,695
Book value - depreciable assets	5,439,772	4,921,814	4,526,762	4,245,569	9,966,534	9,167,383
Percentage depreciated	64%	65%	52%	52%	59%	60%
Total book value	\$ 5,830,797	\$ 5,488,177	\$ 5,060,021	\$ 4,839,132	\$ 10,890,818	\$ 10,327,309

At September 30, 2013, the depreciable capital assets for governmental activities were 64% depreciated, compared to 65% at September 30, 2012.

With the City's business type activities, 52% of the asset values was depreciated at September 30, 2013 and 2012.

Long-term Debt

At the end of the fiscal year, the City had capital leases, USDA notes, and GEFA notes outstanding. During the fiscal year, the City increased outstanding capital lease obligations by \$36,145 or 27.7%. The City's notes payable and USDA loans payable decreased by 11.7% and 18.7%, respectively. Total compensated absences payable decreased 11.8% from the September 30, 2012 balance.

Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Capital leases	\$ 130,926	\$ 77,775	\$ 35,740	\$ 52,746	\$ 166,666	\$ 130,521
Notes payable	-	-	586,341	663,970	586,341	663,970
USDA loans	37,481	46,100	-	-	37,481	46,100
Compensated absences	61,507	65,755	16,030	22,115	77,537	87,870
Total	\$ 229,914	\$ 189,630	\$ 638,111	\$ 738,831	\$ 868,025	\$ 928,461

See Note 9 for additional information about the City's long-term debt.

Economic Conditions Affecting the City

The City is physically located in the eastern portion of the state of Georgia, approximately 175 miles southeast of the State capitol, Atlanta, Georgia, and approximately 63 miles northwest of Savannah, the first planned city in the state. Metter is the county seat in Candler County, and its population makes up approximately 40% of the County's population. The County's land area is 247 square miles with 15.7 persons per square mile. The city of Metter is 7.39 square miles.

As of December 2013, Candler County's unemployment rate averaged 10.2% (Georgia Department of Labor), compared to the state's average of 8.3% for the year (GDOL).

The City's population is 4,100 (U.S. Bureau of Census). Since the City relies primarily on property and sales taxes for its operating revenue, changes in the economy definitely affect these revenue streams. Since sales taxes are an "elastic revenue stream" in a sluggish economy, the sales tax revenues are reduced immediately. Property taxes are considered "inelastic" in the short-term; this revenue stream is more stable. Fortunately, for the City, because of its revenue stream makeup, it is able to survive financially in a slow economy.

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 the City Manager at City Hall at 49 South Rountree, Post Office Box 74, Metter, Georgia, 30439, or call (912) 685-2527.

CITY OF METTER, GEORGIA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,354,738	\$ 1,177,990	\$ 3,532,728	-
Certificates of deposit	215,895	62,851	278,746	-
Receivables:				
Taxes	131,409	-	131,409	-
Accounts	27,369	117,616	144,985	-
Intergovernmental	371,967	-	371,967	-
Other	11,449	-	11,449	-
Internal balances	183,030	(183,030)	-	-
Prepaid insurance	36,850	11,903	48,753	-
Total Current Assets	3,332,707	1,187,330	4,520,037	-
Capital Assets:				
Nondepreciable capital assets	391,025	533,259	924,284	-
Depreciable capital assets, net	5,439,772	4,526,762	9,966,534	-
Total Capital Assets	5,830,797	5,060,021	10,890,818	-
Total Assets	9,163,504	6,247,351	15,410,855	-
LIABILITIES				
Current Liabilities:				
Accounts payable	108,982	4,527	113,509	-
Unearned revenue	48,789	-	48,789	-
Customer deposits	-	83,372	83,372	-
Notes payable	8,889	81,108	89,997	-
Capital leases payable	46,713	17,577	64,290	-
Other	13,352	-	13,352	-
Total Current Liabilities	226,725	186,584	413,309	-
Long-Term Liabilities:				
Compensated absences	61,507	16,030	77,537	-
Notes payable (net of current portion)	28,592	505,233	533,825	-
Capital leases payable (net of current portion)	84,213	18,163	102,376	-
Total Long-Term Liabilities	174,312	539,426	713,738	-
Total Liabilities	401,037	726,010	1,127,047	-
NET POSITION				
Net investment in capital assets	5,662,390	4,437,940	10,100,330	-
Restricted for capital projects	1,796,673	-	1,796,673	-
Unrestricted	1,303,404	1,083,401	2,386,805	-
Total Net Position	\$ 8,762,467	\$ 5,521,341	\$ 14,283,808	-

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Program/Function	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities:								
General government	\$ 503,761	\$ 90,974	\$ 12,436	-	\$ (400,351)	-	\$ (400,351)	-
Municipal court	9,280	-	-	-	(9,280)	-	(9,280)	-
Public safety	1,206,973	116,207	235,284	\$ 25,945	(829,537)	-	(829,537)	-
Public works	974,327	361,462	-	1,032,421	419,556	-	419,556	-
Health and welfare	10,556	-	-	-	(10,556)	-	(10,556)	-
Culture and recreation	152,992	-	-	-	(152,992)	-	(152,992)	-
Housing and development	193,819	-	-	-	(193,819)	-	(193,819)	-
Interest	4,244	-	-	-	(4,244)	-	(4,244)	-
Total Governmental Activities	3,055,952	568,643	247,720	1,058,366	(1,181,223)	-	(1,181,223)	-
Business-Type Activities:								
Water and sewer	1,091,229	1,106,725	-	374,318	-	\$ 389,814	389,814	-
Total Primary Government	\$ 4,147,181	1,675,368	\$ 247,720	\$ 1,432,684	(1,181,223)	389,814	(791,409)	-
Component Unit								
Downtown Development Authority of Metter	-	-	-	-	-	-	-	-
General Revenues								
Property taxes levied for:								
General purposes								
					697,951	-	697,951	-
Sales taxes								
					639,425	-	639,425	-
Insurance premium tax								
					213,042	-	213,042	-
Franchise taxes								
					301,696	-	301,696	-
Hotel/motel taxes								
					55,603	-	55,603	-
Other taxes								
					151,745	-	151,745	-
Gain on disposal of capital assets								
					575	-	575	-
Interest earned								
					3,751	1,841	5,592	-
Miscellaneous								
					114,671	-	114,671	-
Total General Revenues					2,178,459	1,841	2,180,300	-
Transfers					(53,272)	53,272	-	-
Total General Revenues and Transfers					2,125,187	55,113	2,180,300	-
Change in Net Position					943,964	444,927	1,388,891	-
Net Position, Beginning of Year					7,818,503	5,076,414	12,894,917	-
Net Position, End of Year					\$ 8,762,467	\$ 5,521,341	\$ 14,283,808	-

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General	2005 SPLOST	2011 SPLOST	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 647,288	\$ 1,046,628	\$ 634,330	\$ 26,492	\$ 2,354,738
Certificates of deposit	215,895	-	-	-	215,895
Receivables:					
Taxes	126,878	-	-	4,531	131,409
Accounts	27,369	-	-	-	27,369
Intergovernmental	282,644	-	86,070	3,253	371,967
Other	11,449	-	-	-	11,449
Interfund	183,130	-	-	-	183,130
Prepaid insurance	36,850	-	-	-	36,850
TOTAL ASSETS	\$ 1,531,503	\$ 1,046,628	\$ 720,400	\$ 34,276	\$ 3,332,807
LIABILITIES					
Accounts payable	\$ 104,451	-	-	\$ 4,531	\$ 108,982
Unearned revenue	48,789	-	-	-	48,789
Due to other funds	-	-	-	100	100
Other	13,352	-	-	-	13,352
Total liabilities	166,592	-	-	4,631	171,223
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	54,069	-	-	-	54,069
FUND BALANCE					
Nonspendable	36,850	-	-	-	36,850
Assigned	124,051	-	-	-	124,051
Restricted for capital projects	-	\$ 1,046,628	\$ 720,400	29,645	1,796,673
Unassigned	1,149,941	-	-	-	1,149,941
Total fund balance	1,310,842	1,046,628	720,400	29,645	3,107,515
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 1,531,503	\$ 1,046,628	\$ 720,400	\$ 34,276	\$ 3,332,807

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

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

Total Governmental Fund Balances		\$	3,107,515
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Cost		\$	15,413,183
Less accumulated depreciation		<u>(9,582,386)</u>	5,830,797
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds:			
Property taxes			54,069
Long-term liabilities, including notes payable, capital leases and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds but are reported on the statement of net position:			
Capital leases		\$	(130,926)
Notes payable			(37,481)
Compensated absences		<u>(61,507)</u>	<u>(229,914)</u>
Net Position Of Governmental Activities			<u><u>\$ 8,762,467</u></u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General	2005 SPLOST	2011 SPLOST	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 2,042,875	-	-	\$ 55,603	\$ 2,098,478
Licenses and permits	88,919	-	-	-	88,919
Charges for services	367,808	-	-	-	367,808
Intergovernmental	743,579	\$ 10,000	\$ 522,061	29,687	1,305,327
Fines and forfeitures	111,916	-	-	-	111,916
Interest	3,751	551	208	-	4,510
Miscellaneous	68,168	-	-	-	68,168
Total revenues	<u>3,427,016</u>	<u>10,551</u>	<u>522,269</u>	<u>85,290</u>	<u>4,045,126</u>
EXPENDITURES					
Current:					
General government	491,984	-	-	-	491,984
Municipal court	9,280	-	-	-	9,280
Public safety	1,222,378	-	-	-	1,222,378
Public works	1,178,644	-	-	-	1,178,644
Health and welfare	8,788	-	-	-	8,788
Culture and recreation	129,088	-	-	-	129,088
Housing and development	136,438	-	-	55,603	192,041
Capital outlay:					
General government	-	-	-	-	-
Public safety	-	-	35,268	-	35,268
Public works	-	66,522	12,422	42	78,986
Health and welfare	-	-	5,616	-	5,616
Debt service					
Principal	66,467	-	-	-	66,467
Interest	4,244	-	-	-	4,244
Total expenditures	<u>3,247,311</u>	<u>66,522</u>	<u>53,306</u>	<u>55,645</u>	<u>3,422,784</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>179,705</u>	<u>(55,971)</u>	<u>468,963</u>	<u>29,645</u>	<u>622,342</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	110,999	-	-	-	110,999
Sale of capital assets	575	-	-	-	575
Transfers out	-	(45,672)	(7,600)	-	(53,272)
Total other financing sources (uses)	<u>111,574</u>	<u>(45,672)</u>	<u>(7,600)</u>	<u>-</u>	<u>65,902</u>
NET CHANGE IN FUND BALANCE	291,279	(101,643)	461,363	29,645	680,644
FUND BALANCE, BEGINNING OF YEAR	<u>1,019,563</u>	<u>1,148,271</u>	<u>259,037</u>	<u>-</u>	<u>2,426,871</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,310,842</u>	<u>\$ 1,046,628</u>	<u>\$ 720,400</u>	<u>\$ 29,645</u>	<u>\$ 3,107,515</u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

Net Change In Fund Balance - Governmental Funds \$ 680,644

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 as depreciation expense. This is the amount by which capitalized capital outlays differed from depreciation expense in the current period.

	Depreciation expense	\$ (369,067)	
	Capital outlays	<u>711,687</u>	342,620

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

	Property taxes:		
	Unavailable revenue at 9/30/13	54,069	
	Unavailable revenue at 9/30/12	<u>(93,085)</u>	(39,016)

Governmental funds do not report the cost of disposed capital assets but the cost is reported on the statement of activities.

Other financing sources for the inception of capital leases and proceeds from notes payable are reported on the fund level operating statement but are reported as a liability on the government-wide financial statements. (110,999)

Repayment of capital lease and note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 66,467

Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

	Liability at 9/30/13	(61,507)	
	Liability at 9/30/12	<u>65,755</u>	<u>4,248</u>

Change In Net Position of Governmental Activities \$ 943,964

See accompanying notes to the basic financial statements.

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 1,937,417	\$ 1,984,599	\$ 2,042,875	\$ 58,276
Licenses and permits	91,100	91,100	88,919	(2,181)
Charges for services	365,850	365,850	367,808	1,958
Intergovernmental	840,352	881,039	743,579	(137,460)
Fines and forfeitures	94,300	94,300	111,916	17,616
Interest	500	500	3,751	3,251
Miscellaneous	68,334	68,334	68,168	(166)
Total revenues	<u>3,397,853</u>	<u>3,485,722</u>	<u>3,427,016</u>	<u>(58,706)</u>
EXPENDITURES				
Current:				
General government:				
Governing body	54,271	67,932	60,216	7,716
Financial administration	449,538	449,538	431,768	17,770
Total general government	<u>503,809</u>	<u>517,470</u>	<u>491,984</u>	<u>25,486</u>
Municipal court	11,350	11,350	9,280	2,070
Public safety:				
Police	919,067	959,754	935,026	24,728
Fire	241,655	253,638	236,125	17,513
Animal control	88,374	88,374	51,227	37,147
Total public safety	<u>1,249,096</u>	<u>1,301,766</u>	<u>1,222,378</u>	<u>79,388</u>
Public works:				
Roadways and walkways	1,220,223	1,220,223	976,744	243,479
Sanitation	155,524	156,722	150,583	6,139
Maintenance and shop	52,929	52,929	51,317	1,612
Total public works	<u>1,428,676</u>	<u>1,429,874</u>	<u>1,178,644</u>	<u>251,230</u>
Health and welfare:				
Mosquito control	500	500	-	500
Community center	4,000	4,000	2,188	1,812
Public education	6,600	6,600	6,600	-
Total health and welfare	<u>11,100</u>	<u>11,100</u>	<u>8,788</u>	<u>2,312</u>
Culture and recreation:				
Recreation	88,027	89,225	86,644	2,581
Libraries	42,444	42,444	42,444	-
Total culture and recreation	<u>130,471</u>	<u>131,669</u>	<u>129,088</u>	<u>2,581</u>
Housing and development:				
Building inspections	2,934	2,934	873	2,061
Economic development	87,834	93,040	90,450	2,590
Tourism	8,200	8,200	4,748	3,452
Downtown development	20,376	20,376	13,171	7,205
Airport	27,196	27,196	27,196	-
Total housing and development	<u>\$ 146,540</u>	<u>\$ 151,746</u>	<u>\$ 136,438</u>	<u>\$ 15,308</u>

See accompanying notes to the basic financial statements.

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Debt service:				
Principal	\$ 75,677	\$ 75,677	\$ 66,467	\$ 9,210
Interest	6,847	6,847	4,244	2,603
Total debt service	<u>82,524</u>	<u>82,524</u>	<u>70,711</u>	<u>11,813</u>
 Total expenditures	 <u>3,563,566</u>	 <u>3,637,499</u>	 <u>3,247,311</u>	 <u>390,188</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(165,713)</u>	 <u>(151,777)</u>	 <u>179,705</u>	 <u>331,482</u>
 OTHER FINANCING SOURCES (USES)				
Sale of capital assets	3,000	3,000	575	(2,425)
Proceeds from capital leases	105,262	105,262	110,999	5,737
Total other financing sources (uses)	<u>108,262</u>	<u>108,262</u>	<u>111,574</u>	<u>3,312</u>
 NET CHANGE IN FUND BALANCE	 <u>(57,451)</u>	 <u>(43,515)</u>	 <u>291,279</u>	 <u>\$ 334,794</u>
 FUND BALANCE, OCTOBER 1, 2012			 <u>1,019,563</u>	
 FUND BALANCE, SEPTEMBER 30, 2013			 <u>\$ 1,310,842</u>	

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND - WATER AND SEWER SYSTEM FUND
SEPTEMBER 30, 2013

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,177,990
Certificates of deposit	62,851
Accounts receivable	117,616
Prepaid insurance	11,903
Total Current Assets	<u>1,370,360</u>
Capital Assets	
Land	492,280
Construction in progress	40,979
Water and sewer system	8,423,393
Buildings	94,767
Machinery and equipment	909,295
Less accumulated depreciation	<u>(4,900,693)</u>
Total Capital Assets	<u>5,060,021</u>
Total Assets	<u>6,430,381</u>
LIABILITIES	
Current Liabilities	
Accounts payable	4,527
Customer deposits	83,372
Notes payable	81,108
Capital leases payable	17,577
Interfund payable	183,030
Total Current Liabilities	<u>369,614</u>
Long-Term Liabilities	
Compensated absences payable	16,030
Notes payable (net of current portion)	505,233
Capital leases payable (net of current portion)	18,163
Total Long-Term Liabilities	<u>539,426</u>
Total Liabilities	<u>909,040</u>
NET POSITION	
Net investment in capital assets	4,437,940
Unrestricted	1,083,401
Total Net Position	<u>\$ 5,521,341</u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND - WATER AND SEWER SYSTEM FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

OPERATING REVENUES	
Water and sewer sales	\$ 966,773
Penalties	24,873
Connection fees	45,387
Other	69,692
Total operating revenues	<u>1,106,725</u>
 OPERATING EXPENSES	
Salaries	346,010
Employee benefits	103,905
Professional and technical services	9,097
Purchased services	315,240
Materials and supplies	73,866
Depreciation	212,215
Total operating expenses	<u>1,060,333</u>
 OPERATING INCOME	 <u>46,392</u>
 NON-OPERATING REVENUE (EXPENSE)	
Intergovernmental	374,318
Interest income	1,841
Interest expense	(30,896)
Total non-operating revenue (expense)	<u>345,263</u>
 INCOME BEFORE TRANSFERS	 <u>391,655</u>
 TRANSFERS IN	 <u>53,272</u>
 CHANGE IN NET POSITION	 444,927
 NET POSITION, OCTOBER 1, 2012	 <u>5,076,414</u>
 NET POSITION, SEPTEMBER 30, 2013	 <u><u>\$ 5,521,341</u></u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER AND SEWER SYSTEM FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,088,773
Cash payments to employees for services	(449,915)
Cash payments for goods and services	(246,318)
Net cash provided by operating activities	392,540
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(433,104)
Transfers from SPLOST funds	53,272
Intergovernmental grant	374,318
Interest paid	(30,896)
Principal paid on long-term debt	(94,635)
Net cash used by capital and related financing activities	(131,045)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in certificates of deposit	(1,545)
Interest received	1,841
Net cash provided by investing activities	296
NET INCREASE IN CASH AND CASH EQUIVALENTS	261,791
CASH AND CASH EQUIVALENTS, OCTOBER 1, 2012	916,199
CASH AND CASH EQUIVALENTS, SEPTEMBER 30, 2013	\$ 1,177,990
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 46,392
Adjustments:	
Depreciation	212,215
(Increase) decrease in operating assets:	
Accounts receivable	(17,553)
Prepaid items	(11,903)
Increase (decrease) in operating liabilities:	
Accounts payable	2,756
Compensated absences payable	(6,085)
Interfund payable	167,117
Customer deposits	(399)
Net cash provided by operating activities	\$ 392,540

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

The City of Metter (the "City") was incorporated in 1903. The City operates under a Council/Manager form of government and provides the following services: public safety, streets, sanitation, recreation, and general administrative services. In addition, the City operates a water and sewer system.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. *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.

The most significant of the City's accounting policies are described below.

1-A. Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

The component unit column included on the government-wide financial statements identifies the financial data of the City's discretely presented component unit. It is reported separately to emphasize that it is legally separate from the City.

The City's only component unit is the Downtown Development Authority of Metter (the Authority). The primary purpose of the Authority is to promote industry and trade in the downtown area. The City provides its primary funding. There are no separate financial statements prepared for the Authority and there were no financial transactions for the Authority for the year ended September 30, 2013.

Candler County Industrial Development Authority, Candler County Recreation Commission, Metter-Candler County Airport Authority, and Metter Housing Authority are related organizations in that the City appoints all or some of the members of the authorities/commission but does not have financial responsibility for them.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net positions and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements – The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes, grants, and the City's general revenues, from business-type activities, generally financed in whole or part with service charges to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the City.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental funds are reported in separate columns.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting – The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two categories of funds: governmental and proprietary.

Governmental Funds – Government funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

General Fund – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of the State of Georgia.

2005 SPLOST and 2011 SPLOST Fund – These capital projects funds accounts for the special purpose local option sales tax received from Candler County to be used for various capital improvements.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary funds are classified as enterprise funds and internal service funds. The City's only enterprise fund is the water and sewer system fund which accounts for the water and sewer provided to the City's constituents. The water and sewer system fund is reported as a major fund in the financial statements.

1-C. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses, including depreciation.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

1-D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis in accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

Revenues – Non-exchange Transactions – Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-E. Assets, Liabilities and Net Position

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or United States Government agency
- Obligations of any corporation of the United States Government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds". These amounts are eliminated in the governmental and business-type activities columns on the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances on this statement. These amounts are ultimately eliminated from the total column on the statement of net position.

Consumable Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2013, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is nonspendable, as this amount is not available for general appropriation.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by the proprietary fund are reported in the business-type activities column of the government-wide statement of net position and in the proprietary fund's statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of street, bridges, and water and sewer lines. Infrastructure acquired after 1971 has been capitalized by the City. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during construction of capital assets utilized by the enterprise fund is capitalized.

All reported capital assets are depreciated except for land, right-of-ways, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities	Business-Type Activities
	Estimated Lives	Estimated Lives
Buildings and improvements	15-50 years	30 years
Land improvements	15-20 years	-
Machinery and equipment	5-15 years	5-10 years
Infrastructure	15-40 years	-
Water and sewer system	-	5-40 years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments. The amounts capitalized are being amortized by the straight-line method over the estimated life of the asset. Amortization of these assets is included in depreciation expense.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

The total compensated absence liability is reported on the government-wide financial statements. The proprietary fund reports the total compensated liability at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due".

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

Bond Premiums, Discounts and Issuance Costs

On the government-wide statement of net position and the proprietary fund type statement of net position, bond premiums and discounts are netted against bonds payable. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts are amortized over the life of the bonds using the effective interest method and bond issuance costs are expensed in the current period.

At government fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as expenditures.

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 City does not have any deferred outflows of resources as of September 30, 2013.

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 City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City Council’s intent to be used for specific purposes, but are neither restricted nor committed. The City Council has by resolution authorized the City Manager to assign fund balance.

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
- Assigned
- 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 borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues are charges for water and sewer services. Operating expenses are necessary costs incurred to provide the water and sewer services and include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the nonoperating revenues/expenses section in proprietary funds. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated. Transfers between governmental and business-type activities are eliminated from the total column.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through February 25, 2014, the date that the financial statements were available for issue. No subsequent events were noted.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The City adopts an annual operating budget for the general fund and each special revenue fund. A project budget is adopted for each capital projects fund. The budget resolution reflects the total of each department's appropriation in each fund.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

All budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. The City Manager may approve budget transfers within departments. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council. During the year, the City Council approved budget revisions.

All unexpended annual appropriations lapse at year-end.

Excess of Expenditures of Appropriations

For the year ended September 30, 2013, expenditures exceeded appropriations by \$4,603 within the Hotel/Motel Tax special revenue fund which was funded by additional revenues over amounts budgeted.

NOTE 3 – DEPOSITS

At September 30, 2013, the carrying amount of the City’s deposits (checking and certificates of deposit) was \$3,811,474 and the bank balance was \$3,925,654. Of the bank balance, \$750,000 was covered by federal depository insurance, \$3,130,350 was collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name and \$45,304 was uncollateralized.

NOTE 4 – RECEIVABLES

Receivables at September 30, 2013, consisted primarily of taxes, interest, accounts (billings for user charges), and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the City’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability. The allowances for uncollectibles netted against receivables at September 30, 2013 consisted of \$33,209 and \$25,251 for the general fund and water and sewer system fund, respectively.

NOTE 5 – PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are billed on or about October 20th of each year and are payable within sixty days. The County bills and collects property taxes for the City. Property tax revenues at the fund reporting level are recognized when levied to the extent that they result in current receivables (i.e., collectible in 60 days). For the year ended September 30, 2013, property taxes were levied on September 27, 2012, and were due on December 20, 2012.

NOTE 6 - INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of September 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	T-SPLOST Fund	\$ 100
	Water and Sewer System Fund	183,030
		<u>\$ 183,130</u>

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - INTERFUND BALANCES AND TRANSFERS (Continued)

Interfund balances at September 30, 2013 represent reimbursable expenses. The City expects to repay all interfund balances within one year.

Interfund transfers for the year ended September 30, 2013 consisted of \$45,672 and \$7,600 in transfers to the water and sewer system fund from the 2005 SPLOST fund and 2011 SPLOST fund, respectively, for contractor fees, engineering fees and equipment.

NOTE 7 - FUND BALANCES - GOVERNMENTAL FUNDS

As of September 30, 2013, fund balances are composed of the following:

	General Fund	2005 SPLOST Fund	2011 SPLOST Fund	T-SPLOST Fund	Total Governmental Funds
Nonspendable:					
Prepaid insurance	\$ 36,850	-	-	-	\$ 36,850
Restricted:					
Capital projects	-	\$ 1,046,628	\$ 720,400	\$ 29,645	1,796,673
Assigned:					
Animal shelter	29,208	-	-	-	29,208
Fire department	11,147	-	-	-	11,147
Police department	18,077	-	-	-	18,077
Sanitation department	21,955	-	-	-	21,955
Subsequent year's budget	43,664	-	-	-	43,664
Total assigned	124,051	-	-	-	124,051
Unassigned	1,149,941	-	-	-	1,149,941
Total fund balances	<u>\$ 1,310,842</u>	<u>\$ 1,046,628</u>	<u>\$ 720,400</u>	<u>\$ 29,645</u>	<u>\$ 3,107,515</u>

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 8- CAPITAL ASSETS

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

Capital assets not being depreciated:				
Land	\$ 337,500	\$ 46,503	-	\$ 384,003
Construction in progress	228,863	7,022	\$ 228,863	7,022
Total capital assets not being depreciated	<u>566,363</u>	<u>53,525</u>	<u>228,863</u>	<u>391,025</u>
Other capital assets being depreciated:				
Buildings and improvements	2,031,523	-	-	2,031,523
Land improvements	566,010	-	-	566,010
Machinery and equipment	2,134,737	170,546	12,898	2,292,385
Infrastructure	9,415,761	716,479	-	10,132,240
Total capital assets being depreciated	<u>14,148,031</u>	<u>887,025</u>	<u>12,898</u>	<u>15,022,158</u>
Total capital assets	<u>14,714,394</u>	<u>940,550</u>	<u>241,761</u>	<u>15,413,183</u>
Accumulated depreciation:				
Buildings and improvements	757,625	39,843	-	797,468
Land improvements	533,741	11,124	-	544,865
Machinery and equipment	1,611,675	143,790	12,898	1,742,567
Infrastructure	6,323,176	174,310	-	6,497,486
Total accumulated depreciation	<u>9,226,217</u>	<u>369,067</u>	<u>12,898</u>	<u>9,582,386</u>
Governmental activities capital assets, net	<u>\$ 5,488,177</u>	<u>\$ 571,483</u>	<u>\$ 228,863</u>	<u>\$ 5,830,797</u>

Governmental activities depreciation expense:

General government	\$ 11,192
Public safety	105,805
Public works	226,398
Health and welfare	1,768
Culture and recreation	<u>23,904</u>
Total governmental activities depreciation expense	<u>\$ 369,067</u>

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 8- CAPITAL ASSETS (Continued)

The following table presents the changes in capital assets for the City's enterprise fund:

	Balance 10/1/2012	Additions	Deductions	Balance 9/30/2013
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 492,280	-	-	\$ 492,280
Construction in progress	101,283	\$ 14,600	\$ 74,904	40,979
Total capital assets not being depreciated	<u>593,563</u>	<u>14,600</u>	<u>74,904</u>	<u>533,259</u>
Other capital assets being depreciated:				
Water and sewer system	7,929,985	493,408	-	8,423,393
Buildings	94,767	-	-	94,767
Machinery and equipment	909,295	-	-	909,295
Total capital assets being depreciated	<u>8,934,047</u>	<u>493,408</u>	<u>-</u>	<u>9,427,455</u>
Total capital assets	<u>9,527,610</u>	<u>508,008</u>	<u>74,904</u>	<u>9,960,714</u>
Accumulated depreciation:				
Water and sewer system	3,835,192	180,549	-	4,015,741
Buildings	69,078	2,099	-	71,177
Machinery and equipment	784,208	29,567	-	813,775
Total accumulated depreciation	<u>4,688,478</u>	<u>212,215</u>	<u>-</u>	<u>4,900,693</u>
Business-type activities capital assets, net	<u>\$ 4,839,132</u>	<u>\$ 295,793</u>	<u>\$ 74,904</u>	<u>\$ 5,060,021</u>

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – LONG-TERM DEBT

Notes Payable – The City has entered into a number of notes with the Georgia Environmental Finance Authority (GEFA) and the United States Department of Agriculture (USDA) Rural Development with balances at September 30, 2013, as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
GEFA (97-L26WJ), payable in quarterly installments of \$19,472 including interest at 4.75% through June 1, 2021	-	\$ 502,502
GEFA (2004-L22WQ), payable in monthly installments of \$2,406 including interest at 3.82% through October 1, 2016	-	83,839
USDA Rural Development, payable in annual installments of \$10,175 including interest at 3.375% through June 14, 2017 (purchase of police vehicles)	\$ 37,481	-
	<u>\$ 37,481</u>	<u>\$ 586,341</u>

Annual debt service requirements to amortize all notes payable outstanding at September 30, 2013 are as follows:

Year	Governmental Activities			Business - Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 8,889	\$ 1,286	\$ 10,175	\$ 81,108	\$ 25,647	\$ 106,755
2015	9,194	981	10,175	84,783	21,972	106,755
2016	9,509	666	10,175	88,624	18,131	106,755
2017	9,889	286	10,175	63,354	14,532	77,886
2018	-	-	-	66,418	11,468	77,886
2019-2021	-	-	-	202,054	12,134	214,188
Total	<u>\$ 37,481</u>	<u>\$ 3,219</u>	<u>\$ 40,700</u>	<u>\$ 586,341</u>	<u>\$ 103,884</u>	<u>\$ 690,225</u>

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – LONG-TERM DEBT (Continued)

Capital Leases – Georgia Municipal Association (GMA) – The City has entered into lease agreements with GMA to purchase a dump truck costing \$68,776, four other vehicles costing \$116,317, and server upgrades costing \$16,428 for governmental activities. The City has entered into agreements with GMA to purchase a sewer jetter costing \$46,633 and one vehicle costing \$24,689 for business-type activities.

The capital leases require annual payments including interest as follows:

Year	Governmental Activities			Business - Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	46,713	4,285	50,998	17,577	1,200	18,777
2015	40,725	2,748	43,473	18,163	614	18,777
2016	36,026	1,428				
2017	7,462	250	7,712	-	-	-
Total	<u>\$ 130,926</u>	<u>\$ 8,711</u>	<u>\$ 102,183</u>	<u>\$ 35,740</u>	<u>\$ 1,814</u>	<u>\$ 37,554</u>

NOTE 10 – CHANGES IN LONG-TERM DEBT

	Outstanding			Outstanding 9/30/2013	Amounts Due in One Year
	10/1/2012	Additions	Reductions		
Governmental Activities					
Capital leases	\$ 77,775	\$ 110,999	\$ 57,848	\$ 130,926	\$ 46,713
USDA loan	46,100	-	8,619	37,481	8,889
Compensated absences	65,755	-	4,248	61,507	-
Total Governmental Activities	<u>\$ 189,630</u>	<u>\$ 110,999</u>	<u>\$ 70,715</u>	<u>\$ 229,914</u>	<u>\$ 55,602</u>
Business-Type Activities					
Notes payable	\$ 663,970	-	77,629	\$ 586,341	\$ 81,108
Capital leases	52,746	-	17,006	35,740	17,577
Compensated absences	22,115	-	6,085	16,030	-
Total Business-Type Activities	<u>\$ 738,831</u>	<u>\$ -</u>	<u>\$ 100,720</u>	<u>\$ 638,111</u>	<u>\$ 98,685</u>

The capital lease obligations for governmental funds will be paid from the General Fund and for business-type activities from the Water and Sewer System Fund. The USDA loan will be paid from the General Fund. The compensated absences liability for governmental funds will be paid from the General Fund and for business-type activities from the Water and Sewer System Fund. Principal and interest payments related to notes payable for the City's Water and Sewer System are financed from income derived from the operation of the Water and Sewer System.

NOTE 11 – EMPLOYEE RETIREMENT PLAN

The City of Metter Retirement Plan is a defined contribution plan which was adopted by resolution of the City Council and was effective January 1, 1994 to provide retirement benefit to plan members. The plan is administered by the City of Metter. The 2012 calendar year covered payroll was \$1,272,384 and the total 2012 calendar year payroll was \$1,399,400. The plan is open to all full-time employees with more than one year of service.

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – EMPLOYEE RETIREMENT PLAN (Continued)

Employees are 100% vested in the City contribution after five years of service. The contribution for the year ended September 30, 2013 to the City funded plan was \$86,456 which is 7.0% of the 2012 calendar year covered payroll. Employees do not contribute to this plan and the City does not have a required contribution. Contributions are established by the City Council on an annual basis.

NOTE 12 – CONTINGENT LIABILITIES

As of September 30, 2013, there was no pending litigation that would have a material effect on the financial statements.

NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation claims; and natural disasters. The City carries commercial insurance to cover these risks. The City joined the Georgia Interlocal Risk Management Agency (GIRMA). 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 GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims, and representing the City in defense and settlement of claims. GIRMA's basis for establishing the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims for which the City is liable (up to the applicable deductible) which were outstanding and unpaid at September 30, 2013. No provisions have been made in the financial statements for the year ended September 30, 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 (the Fund). As a participant in the Fund, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the Fund in an amount that is 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 Fund permits the Fund to levy an assessment upon its members to make up any deficiency the Fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

NOTE 14 – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the middle Georgia area, is a member of the Heart of Georgia Altamaha Regional Commission (RC) and is required to pay annual dues thereto. During the year ended September 30, 2013, the City paid \$4,130 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-33, which provides for the organizational structure of the RC in Georgia. The RC Board membership includes representatives from each county and municipality of the area. OCGA 50-8-39 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

Heart of Georgia Altamaha Regional Commission
5405 Oak Street
Eastman, Georgia 31023

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 15 – HOTEL/MOTEL LODGING TAX

The City levies a 5% lodging tax. A summary of the transactions for the year ended September 30, 2013 follows:

Lodging tax receipts	\$	55,603
Expenditures		<u>(55,603)</u>
	\$	<u><u>-</u></u>

All expenditures were for promotion of tourism as required by OCGA 48-13-51.

CITY OF METTER, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS

	SEPTEMBER 30, 2013	SEPTEMBER 30, 2012
ASSETS		
Cash	\$ 647,288	\$ 638,667
Certificates of deposit	215,895	212,595
Receivables:		
Taxes	126,878	121,570
Accounts	27,369	28,124
Intergovernmental	282,644	370,451
Other	11,449	2,855
Due from other funds	183,130	15,913
Prepaid insurance	36,850	-
TOTAL ASSETS	\$ 1,531,503	\$ 1,390,175
LIABILITIES		
Accounts payable	\$ 104,451	\$ 226,229
Unearned revenue	48,789	30,326
Due to other funds	-	4,431
Other	13,352	16,542
Total liabilities	166,592	277,528
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	54,069	93,084
FUND BALANCE		
Nonspendable	36,850	-
Assigned	124,051	32,130
Unassigned	1,149,941	987,433
Total fund balance	1,310,842	1,019,563
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 1,531,503	\$ 1,390,175

CITY OF METTER, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

	YEAR ENDED	
	SEPTEMBER 30, 2013	SEPTEMBER 30, 2012
REVENUES		
Taxes:		
Property	\$ 639,994	\$ 601,628
Motor vehicle	96,973	55,031
Sales	639,425	652,344
Franchise	301,696	322,634
Insurance premium	213,042	205,757
Alcoholic beverage	111,433	111,454
Other	40,312	36,241
Licenses and permits	88,919	90,633
Charges for services	367,808	364,735
Intergovernmental	743,579	513,728
Fines and forfeitures	111,916	95,356
Interest	3,751	2,738
Miscellaneous	68,168	36,931
Total revenues	3,427,016	3,089,210
EXPENDITURES		
Current:		
General government	491,984	518,945
Municipal court	9,280	8,478
Public safety	1,222,378	1,205,156
Public works	1,178,644	978,102
Health and welfare	8,788	22,763
Culture and recreation	129,088	130,663
Housing and development	136,438	128,230
Debt service	70,711	103,828
Total expenditures	3,247,311	3,096,165
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	179,705	(6,955)
OTHER FINANCING SOURCES		
Sale of capital assets	575	8,992
Proceeds from note payable	-	46,100
Proceeds from capital leases	110,999	90,551
Total other financing sources	111,574	145,643
NET CHANGE IN FUND BALANCE	291,279	138,688
FUND BALANCE, BEGINNING OF YEAR	1,019,563	880,875
FUND BALANCE, END OF YEAR	\$ 1,310,842	\$ 1,019,563

CITY OF METTER, GEORGIA
2005 SPLOST CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS

ASSETS

	<u>SEPTEMBER 30,</u> 2013	<u>SEPTEMBER 30,</u> 2012
ASSETS		
Cash	\$ 1,046,628	\$ 1,143,840
Due from general fund	-	4,431
	<u>1,046,628</u>	<u>1,148,271</u>
TOTAL ASSETS	<u>\$ 1,046,628</u>	<u>\$ 1,148,271</u>

LIABILITIES AND
FUND BALANCE

LIABILITIES		
Accounts payable	-	-
FUND BALANCE - Restricted	<u>\$ 1,046,628</u>	<u>\$ 1,148,271</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,046,628</u>	<u>\$ 1,148,271</u>

CITY OF METTER, GEORGIA
2005 SPLOST CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

	YEAR ENDED	
	SEPTEMBER 30, 2013	SEPTEMBER 30, 2012
REVENUES		
Intergovernmental	\$ 10,000	\$ 121,828
Interest	551	644
Total revenues	<u>10,551</u>	<u>122,472</u>
EXPENDITURES		
Capital outlay:		
General government	-	94,553
Public safety	-	31,147
Public works	66,522	32,940
Debt service:		
Principal	-	41,808
Interest	-	3,283
Total expenditures	<u>66,522</u>	<u>203,731</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(55,971)	(81,259)
OTHER FINANCING USES		
Transfers out	<u>(45,672)</u>	<u>(192,244)</u>
NET CHANGE IN FUND BALANCE	(101,643)	(273,503)
FUND BALANCE, BEGINNING OF YEAR	<u>1,148,271</u>	<u>1,421,774</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,046,628</u>	<u>\$ 1,148,271</u>

CITY OF METTER, GEORGIA
2011 SPLOST CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS

A S S E T S

	SEPTEMBER 30, 2013	SEPTEMBER 30, 2012
ASSETS		
Cash	\$ 634,330	\$ 167,819
Intergovernmental receivable	86,070	91,218
TOTAL ASSETS	\$ 720,400	\$ 259,037

L I A B I L I T I E S A N D
F U N D B A L A N C E

LIABILITIES		
Accounts payable	-	-
FUND BALANCE - Restricted	\$ 720,400	\$ 259,037
TOTAL LIABILITIES AND FUND BALANCE	\$ 720,400	\$ 259,037

CITY OF METTER, GEORGIA
2011 SPLOST CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

	YEAR ENDED	
	SEPTEMBER 30, 2013	SEPTEMBER 30, 2012
REVENUES		
Intergovernmental	\$ 522,061	\$ 279,919
Interest	208	18
Total revenues	522,269	279,937
EXPENDITURES		
Capital outlay:		
Public safety	35,268	-
Public works	12,422	1,545
Health and welfare	5,616	-
Debt service:		
Principal	-	18,225
Interest	-	1,130
Total expenditures	53,306	20,900
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	468,963	259,037
OTHER FINANCING USES		
Transfers out	(7,600)	-
NET CHANGE IN FUND BALANCE	461,363	259,037
FUND BALANCE, BEGINNING OF YEAR	259,037	-
FUND BALANCE, END OF YEAR	\$ 720,400	\$ 259,037

CITY OF METTER, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	Hotel/Motel Special Revenue Fund	T-SPLOST Capital Projects Fund	Total Nonmajor Funds
ASSETS			
Cash	\$ -	\$ 26,492	\$ 26,492
Receivables:			
Taxes	4,531	-	4,531
Intergovernmental	-	3,253	3,253
TOTAL ASSETS	\$ 4,531	\$ 29,745	\$ 34,276
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 4,531	\$ -	\$ 4,531
Due to other funds	-	100	100
Total liabilities	4,531	100	4,631
Fund balance - Restricted	-	29,645	29,645
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,531	\$ 29,745	\$ 34,276

CITY OF METTER, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Hotel/Motel Special Revenue Fund	T-SPLOST Capital Projects Fund	Total Nonmajor Funds
REVENUES			
Taxes	\$ 55,603	-	\$ 55,603
Intergovernmental	-	\$ 29,687	29,687
Total revenues	<u>55,603</u>	<u>29,687</u>	<u>85,290</u>
EXPENDITURES			
Current:			
Housing and development	55,603	-	55,603
Capital outlay			
Public works	-	42	42
Total expenditures	<u>55,603</u>	<u>42</u>	<u>55,645</u>
NET CHANGE IN FUND BALANCE	-	29,645	29,645
FUND BALANCE, OCTOBER 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2013	<u>\$ -</u>	<u>\$ 29,645</u>	<u>\$ 29,645</u>

CITY OF METTER, GEORGIA
HOTEL/MOTEL TAX FUND
COMPARATIVE BALANCE SHEETS

A S S E T S

	SEPTEMBER 30, 2013	SEPTEMBER 30, 2012
ASSETS		
Taxes receivable	\$ 4,531	\$ 4,469
TOTAL ASSETS	\$ 4,531	\$ 4,469

L I A B I L I T I E S A N D
F U N D B A L A N C E

LIABILITIES		
Accounts payable	\$ 4,531	\$ 4,469
FUND BALANCE - Restricted	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,531	\$ 4,469

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - HOTEL/MOTEL TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2012 Actual</u>
REVENUES				
Hotel/Motel tax	\$ 51,000	\$ 55,603	\$ 4,603	\$ 52,915
EXPENDITURES				
Current:				
Housing and development - Tourism	<u>51,000</u>	<u>55,603</u>	<u>(4,603)</u>	<u>52,915</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE, OCTOBER 1, 2012		<u>-</u>		
FUND BALANCE, SEPTEMBER 30, 2013		<u>\$ -</u>		

CITY OF METTER, GEORGIA
WATER AND SEWER SYSTEM FUND
COMPARATIVE STATEMENT OF NET POSITION

	September 30, 2013	September 30, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,177,990	\$ 916,199
Certificates of deposit	62,851	61,306
Accounts receivable	117,616	100,063
Prepaid insurance	11,903	-
Total Current Assets	<u>1,370,360</u>	<u>1,077,568</u>
Capital Assets		
Land	492,280	492,280
Construction in progress	40,979	101,283
Water and sewer system	8,423,393	7,929,985
Buildings	94,767	94,767
Machinery and equipment	909,295	909,295
Less accumulated depreciation	<u>(4,900,693)</u>	<u>(4,688,478)</u>
Total Capital Assets	<u>5,060,021</u>	<u>4,839,132</u>
Total Assets	<u>6,430,381</u>	<u>5,916,700</u>
LIABILITIES		
Current Liabilities		
Accounts payable	4,527	1,771
Customer deposits	83,372	83,771
Notes payable	81,108	77,598
Capital leases payable	17,577	17,006
Interfund payable	<u>183,030</u>	<u>15,913</u>
Total Current Liabilities	<u>369,614</u>	<u>196,059</u>
Long-Term Liabilities		
Compensated absences payable	16,030	22,115
Notes payable (net of current portion)	505,233	586,372
Capital leases payable (net of current portion)	<u>18,163</u>	<u>35,740</u>
Total Long-Term Liabilities	<u>539,426</u>	<u>644,227</u>
Total Liabilities	<u>909,040</u>	<u>840,286</u>
NET POSITION		
Net investment in capital assets	4,437,940	4,122,416
Unrestricted	<u>1,083,401</u>	<u>953,998</u>
Total Net Position	<u>\$ 5,521,341</u>	<u>\$ 5,076,414</u>

CITY OF METTER, GEORGIA
WATER AND SEWER SYSTEM FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION

	YEAR ENDED	
	SEPTEMBER 30, 2013	SEPTEMBER 30, 2012
OPERATING REVENUES		
Water and sewer sales	\$ 966,773	\$ 997,725
Penalties	24,873	25,652
Connection fees	45,387	36,921
Hay sales	-	15,200
Other	69,692	41,800
Total operating revenues	1,106,725	1,117,298
OPERATING EXPENSES		
Salaries	346,010	372,573
Employee benefits	103,905	107,511
Professional and technical services	9,097	17,436
Purchased services	315,240	293,799
Materials and supplies	73,866	62,733
Depreciation	212,215	213,597
Total operating expenses	1,060,333	1,067,649
OPERATING INCOME	46,392	49,649
NON-OPERATING REVENUE (EXPENSE)		
Intergovernmental	374,318	64,887
Interest income	1,841	1,478
Interest expense	(30,896)	(30,719)
Total non-operating revenue (expense)	345,263	35,646
INCOME BEFORE TRANSFERS	391,655	85,295
TRANSFERS IN	53,272	192,244
CHANGE IN NET POSITION	444,927	277,539
NET POSITION, BEGINNING OF YEAR	5,076,414	4,798,875
NET POSITION, END OF YEAR	\$ 5,521,341	\$ 5,076,414

CITY OF METTER, GEORGIA
SCHEDULE OF PROJECTS PAID WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

2005 SPLOST

	Original Estimated Cost	Current Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
Water system improvements	\$ 950,000	\$ 950,000	\$ 176,077	\$ 5,550	\$ 181,627	19%
Sewer system improvements	875,000	875,000	587,178	40,122	627,300	72%
Street and drainage improvements	630,000	630,000	476,882	66,522	543,404	86%
Public building projects	800,000	800,000	353,741	-	353,741	44%
Acquisition of new equipment	375,000	375,000	325,000	-	325,000	87%
Totals	\$ 3,630,000	\$ 3,630,000	\$ 1,918,878	\$ 112,194	\$ 2,031,072	56%

2011 SPLOST

	Original Estimated Cost	Current Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
Water and sewer system improvements	\$ 1,360,000	\$ 1,360,000	-	\$ 7,600	\$ 7,600	1%
Street improvements	600,000	600,000	\$ 1,545	12,422	13,967	2.3%
Drainage improvements	200,000	200,000	-	-	-	0%
Construction/improvements of public facilities	300,000	300,000	-	5,616	5,616	2%
Acquisition of vehicles and equipment	540,000	540,000	19,355	35,268	54,623	10%
Esthetic enhancements (City entrance signs)	100,000	100,000	-	-	-	0%
Totals	\$ 3,100,000	\$ 3,100,000	20,900	\$ 60,906	\$ 81,806	3%

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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 Mayor and Council
City of Metter, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Metter, Georgia, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Metter, Georgia's basic financial statements, and have issued our report thereon dated February 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Metter, 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 Metter, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Metter, 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. 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.

Compliance and Other Matters

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

Purpose of this Report

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

Thigpen, Lanier, Westerfield & Deal

Statesboro, Georgia
February 25, 2014