CITY OF ARABI, GEORGIA

FINANCIAL STATEMENTS TOGETHER

WITH AUDITOR'S REPORT AS OF DECEMBER 31, 2012

CITY OF ARABI, GEORGIA
TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	5
Statement of Activities	6
FUND FINANCIAL STATEMENTS:	
Governmental Funds	
Balance Sheet	7
Reconciliation of Governmental Funds Balance Sheet To The Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	9
Reconciliation of The Statement of Revenues, Expenditures And Changes in Fund Balances to The Statement of Activities	10
PROPRIETARY FUNDS:	
Statement of Net Assets	11
Statement of Revenues, Expenses, and Changes in Net Assets	12
Statement of Cash Flows	13
FIDUCIARY FUNDS:	
Statement of Fiduciary Assets and Liabilities	14
NOTES TO THE BASIC FINANCIAL STATEMENTS	15
SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual	24
SPECIAL REVENUE FUNDS	
Community Development Fund-Schedule of Revenues, Expenditures, and Change in Fund Balance	25
SPLOST-Capital Project Fund-Schedule of Assets, Liabilities, & Fund Balances	26
SPLOST-Capital Project Fund-Schedule of Revenues, Expenditures, & Changes in Fund Balances	27
Arabi Industrial Development Authority – Schedule of Assets, Liabilities & Fund Balance	28
Arabi Industrial Development Authority – Schedule of Revenue, Expenditures And Changes in Fund Balance	29
SCHEDULE OF INSURANCE COVERAGE	30
INDEPENDENT AUDITOR'S REPORT ON SPECIAL PURPOSE LOCAL OPTION SALES TAX	31
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS	32
REPORTS REQUIRED BY GOVERNMENTAL AUDITING & STANDARDS	
Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	34
Schedule of Findings and Responses	36

WANDA J. USSERY, CPA, P.C.

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
GEORGIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Arabi
Arabi, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arabi, Georgia, as of and for the year ended December 31, 2012 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Arabi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arabi, Georgia, as of December 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2013 on our consideration of the City of Arabi'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 reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary information on page 24 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

707 South Grant Street, P.O. Box 936, Fitzgerald, GA 31750, (229)423-9477, Fax (229)423-9358

The City of Arabi has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Arabi's basic financial statements. The individual fund and account group schedules listed in the table of contents as Supplementary Information, and the Schedule of Projects Constructed with Special Sales Tax Proceeds, as required by Official Code of Georgia Annotated Section, 48-8-121, are presented for purposes of additional analysis and are not a required part of the basic financial statements of City of Arabi, Georgia. The individual fund and account group schedules listed in the table of contents as Supplementary Information, and the Schedule of Projects Constructed with Special Sales Tax Proceeds as required by the Official Code of Georgia Annotated Section, 48-8-121, has been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole, and in our opinion are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Wade J Usrey, CPA, P.C.

June 25, 2013
Fitzgerald, GA

CITY OF ARABI, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash	$ 166,222	$ 186,032	$ 352,254
Due from Other Funds	(6,438)	6,438	-
Receivables:			
Accounts	0	6,012	6,012
Loans	31,897	0	31,897
Prepaid Items	3,438	0	3,438
Other Assets	27,228	0	27,228
Capital Assets			
Nondepreciable Capital Assets	741,765	0	741,765
Depreciable Capital Assets, net	397,685	1,020,957	1,418,642
Total Assets	$ 1,361,797	$ 1,219,439	$ 2,581,236
Liabilities			
Current Liabilities			
Accounts Payable	10,120	4,754	14,874
Accrued Liabilities	1,373	6,675	8,048
Notes Payable	0	15,030	15,030
Long Term Liabilities			
Notes Payable	0	142,679	142,679
Total Liabilities	11,493	169,138	180,631
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,139,450	863,248	2,002,698
Restricted For:			
Debt Service	36,299	0	36,299
Capital Projects	98,727	0	98,727
Unrestricted	75,828	187,053	262,881
Total Net Assets	$ 1,350,304	$ 1,050,301	$ 2,400,605

See Accompanying Notes to the Basic Financial Statements.

CITY OF ARABI, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Activities	Expenses	Program Revenue: Charges for Services	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental:						
General Government	$ 179,909	$ 10,406	$ 0	$ (169,503)	$ 0	$ (169,503)
Public Protection:						
Law Enforcement	40,641	65,722		25,081	0	25,081
Fire Department	44,173	0		(44,173)	0	(44,173)
Public Ways and Facilities	31,592	0		(31,592)	0	(31,592)
Total Governmental Activities	296,315	76,128	0	(220,187)	0	(220,187)
Business-Type:						
Water Works	118,850	72,070	0	0	(46,780)	(46,780)
Total Business-Type Activities	118,850	72,070	0	0	(46,780)	(46,780)
Total City of Arabi	$ 415,165	$148,198	$ 0	$ (220,187)	$ (46,780)	$ (266,967)
General Revenues:						
Taxes:						
Beer Taxes				$ 10,063	0	10,063
Liquor Taxes				2,661	0	2,661
Intangible Tax				175	0	175
Insurance Prem Tax				29,195	0	29,195
Sales Taxes				81,849	0	81,849
Other:						
Intergovt. Rev				42,450		42,450
Commissions				45,481	0	45,481
Grants				0	0	0
Earnings on Investments				2,002	983	2,985
Miscellaneous				941	0	941
Total General Revenues				$ 214,817	$ 983	$ 215,800
Sale of Asset				1,510	0	1,510
Change in Net Assets				$ (3,860)	$ (45,797)	$ (49,657)
Net Assets-Beginning				$ 1,354,164	$ 1,096,098	$ 2,450,262
Net Assets-Ending				$ 1,350,304	$ 1,050,301	$ 2,400,605

See Accompanying Notes to the Basic Financial Statements.

CITY OF ARABI, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2012

	General Fund	Community Development Fund	S.P.L.O.S.T Fund	Industrial Development Authority	Total Governmental Funds
ASSETS					
Cash in Bank	$ 70,145	$ 4,402	$ 90,629	$ 1,046	$ 166,222
Loans Receivable	0	31,897	0	0	31,897
Prepaid Insurance	3,438	0	0	0	3,438
Other Receivables	19,130	0	8,098	0	27,228
Total Assets	$ 92,713	$ 36,299	$ 98,727	$ 1,046	$ 228,785
LIABILITIES					
Accounts Payable	$ 10,120	$ 0	$ 0	$ 0	$ 10,120
Due to Water Fund	6,438				6,438
Accruals	1,373	0	0	0	1,373
Total Liabilities	$ 17,931	$ 0	$ 0	$ 0	$ 17,931
FUND BALANCES					
Reserved:					
S.P.L.O.S.T.-Capital Projects	0	0	98,727	0	98,727
Unreserved, reported in					
Special Revenue Funds	0	36,299	0	1,046	37,345
General Fund	74,782	0	0	0	74,782
Total Fund Balances	$ 74,782	$ 36,299	$ 98,727	$ 1,046	$ 210,854
Total Liabilities and Fund Balance	$ 92,713	$ 36,299	$ 98,727	$ 1,046	$ 228,785

See Accompanying Notes to Financial Statements.

CITY OF ARABI, GEORGIA
RECONCILATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

Total fund balances for governmental funds (Page 7)	$ 210,854
Total net assets is reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets are listed in Note 2 in the accompanying "Notes To Financial Statements".	1,139,450
Total net assets of governmental funds. (Page 5)	$ 1,350,304

THIS SPACE

INTENTIONALLY

LEFT BLANK.

See Accompanying Notes to the Basic Financial Statements.

CITY OF ARABI, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2012

	General Fund	Community Development Fund	S.P.L.O.S.T Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes & Licenses	$ 23,305	$ 0	$ 0	$ 0	$ 23,305
Sales Taxes	81,849	0	0	0	81,849
Intergovernmental Revenue	0	0	42,450	0	42,450
Commissions	45,481	0	0	0	45,481
Fines and Fees	65.722	0	0	0	65,722
Insurance Premium Tax	29,195	0	0	0	29,195
Interest	328	1,663	9	2	2,002
Miscellaneous	941	0	0	0	941
Total Revenues	$ 246,821	$ 1,663	$ 42,459	$ 2	$ 290,945
EXPENDITURES:					
Current:					
General Government	128,094	2,234	0	0	130,328
Public Safety	84,814	0	0	0	84,814
Public Ways and Facilities	31,592	0	0	0	31,592
Capital Outlay:					
General Government	0	0	10,671		10,671
Public Safety	3,546	0	16,924		20,470
Public Ways and Activities	0	0	12,278	0	12,278
Total Expenditures	$ 248,046	$ 2,234	$ 39,873	$ 0	$ 290,153
Excess(deficiency) of revenues over expenditures	$ (1,225)	$ (571)	$ 2,586	$ 2	$ 792
Other Financing Sources (Uses):					
Proceeds from Sale of Asset	$ 0	$ 0	$ 1,510	$ 0	$ 1,510
Total other Financing Sources (Uses)	$ 0	$ 0	$ 1,510	$ 0	$ 1,510
Net Change in Fund Balance	$ (1,225)	$ (571)	$ 4,096	$ 2	$ 2,302
Fund Balance-Beginning	$ 76,007	$ 36,870	$ 94,632	$ 1,044	$ 208,553
Fund Balance-Ending	$ 74,782	$ 36,299	$ 98,728	$ 1,046	$ 210,855

See Accompanying Notes to Financial Statements.

CITY OF ARABI, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Net changes in fund balances-total governmental funds (page 9)	$ 2,302
The change in net assets reported for governmental activities in the statement of activities in different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of $49,579 exceeds capital outlay of $43,417 in the current period.	(6,162)
Revenues in the Statement of Activities that do not provide current financial Resources are not reported as revenues in the Funds.	
Change in net assets of governmental activities. (page 6)	$ (3,860)

THIS SPACE

INTENTIONALLY

LEFT BLANK.

CITY OF ARABI, GEORGIA
WATERWORKS FUND
STATEMENT OF NET ASSETS
December 31, 2012

	AT 12-31-12
Assets	
Current Assets	
Cash	$ 186,032
Accounts Receivable	6,012
Due From General Fund	6,438
	198,482
Capital Assets	
Property, Plant and Equipment	
Water System	1,737,511
Less: Accumulated Depreciation	(716,554)
	1,020,957
Total Assets	$ 1,219,439
Liabilities	
Current Liabilities	
Accounts Payable	4,754
Customer Deposits	6,675
Notes Payable	15,030
	$ 26,459
Long-Term Liabilities	
Notes Payable	142,679
Total Liabilities	169,138
Net Assets	
Invested in Capital Assets, Net of Related Debt	863,248
Unrestricted	187,053
	$ 1,050,301

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF ARABI, GEORGIA
WATERWORKS FUND
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
December 31, 2012

Operating Revenues	
Charges For Services	$ 68,049
Other Fees	4,021
Total Operating Revenues	$ 72,070
Operating Expenses	
Personnel Services	14,003
Office Expense	2,050
Insurance	8,976
Repairs/Maintenance	18,587
Utilities	9,215
Depreciation	53,799
Supplies	5,039
Other	4,064
Total Operating Exp	$ 115,733
Operating Income (Loss)	$ (43,663)
Non-Operating Revenues (Expenses)	
Interest Expense	(3,117)
Interest Income	983
Total Non-Operating Revenues (Expenses)	$ (2,134)
Net Income (Loss)	$ (45,797)
Change in Net Assets	$ (45,797)
Net Assets Beginning of Year	$ 1,096,098
Net Assets End of Year	$ 1,050,301

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF ARABI, GEORGIA
WATERWORKS FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

		AT 12-31-12
Cash Flows From Operating activities:		
Cash From Customers		$ 74,018
Cash Paid For Utilities		(9,017)
Cash Paid For Supplies		(5,054)
Cash Paid Other		(28,153)
		$ 31,794
Cash Flows From Noncapital Financing Activities:		
Transfer to General Fund		$ 0
Cash Flows From Capital and Related Financing Activities:		
Additions To Water System		$ (6,109)
Principal paid on Debt		(12,878)
Interest Paid		(3,117)
CDBG Grant		0
GEFA Grant		0
		$ (22,104)
Cash Flows From Investing Activities:		
Interest Received		$ 983
Net Increase (Decrease) In Cash		$ 10,673
Cash	**1/1/2012**	175,359
Cash	**12/31/2012**	$ 186,032
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)		$ (43,663)
Adjustments:		
Depreciation		53,799
(Increase) Decrease in Receivables/Prepaid		784
Increase (Decrease) in Payables/Accruals		3,420
Cash paid by General Fund for Water Fund Expenses		22,979
		$ 37,349

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF ARABI, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
at December 31, 2012

Assets

Cash	$ 13,011
Total Assets	$ 13,011

Liabilities

Other Liabilities	$ 13,011
Total Liabilities	$ 13,011

The Accompanying Notes are an Integral Part of these Financial Statements.

NOTE 1 Summary of Significant Accounting Policies

A. Reporting Entity

The City of Arabi was established in 1917. The City operates under a mayor/council and clerk form of Government and provides the following services: public safety, police and fire, streets and sidewalks, recreation and general administrative services. In addition, the City operates a public utilities for water and sewage. Arabi Industrial Development Authority (The Authority) is a component unit of the City. The Authority is so intertwined with the city that it is in substance, the same as the city and, therefore, is blended and reported as if it were part of the city. The city appoints all the members of the Authority. There are no financial statements on the Authority.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government- Wide Statements: The Statement of Net Assets and the Statement of Activities display information about the City of Arabi's primary government (The City). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City, and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statements of activities. Program revenues include (A) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (B) grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The City did not submit a "Management discussion and analysis" to be included in the audited financial statements for the year ended December 31, 2012.

Fund financial statements: The fund financial statements provide information about the City's funds, including its blended component unit. Separate statements for each fund category-governmental, and proprietary are presented. The City's only fiduciary fund is the Fines & Fees Account. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

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

NOTE 1 Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Basis of Accounting (Continued)

The City reports the following major governmental funds:

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

Special Revenue Funds
The Community Development Fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Project Fund
The SPLOST Fund is a Capital Project Fund use to account for the SPLOST Revenue and Expenditures.

The City reports the following major enterprise fund:

Water Fund
This fund accounts for the operation, and maintenance of the City's Water Department. The fund is used to account for those operations that are financed and operated in a manner similar to private business.

Measurement Focus, Basis of Accounting

Government-Wide and Proprietary Fund Financial Statements. The Government-Wide and Proprietary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which The City gives (or receives) value without directly receiving (or giving) equal value in exchange, including taxes, grants entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Taxes, Licenses and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general funds.

All governmental and business-type activities and enterprise funds of the City follow all FASB Statements and interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

NOTE 1 Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Basis of Accounting (Continued)

Accumulated Unpaid Vacation or Sick Pay
These amounts are accounted for when paid. Such amounts are not accrued, and do not exceed normal year's accumulations.

Prepaids
Payments made to vendors for services that will benefit periods beyond December 31, 2012 are recorded as prepaid Items.

Inventories
The City of Arabi, Georgia reports materials purchased as expenditures when acquired due to lack of materiality.

Capitalization of Assets and Depreciation

Assets with an estimated life of five or more years are capitalized for both the General Fund Assets and Water Fund Assets. Depreciation is computed using the straight-line method with lives ranging from five (5) years fifty (50) years depending on the estimated life of the assets.

Asset	Years
Vehicles	5
Infrastructure	15-40
Buildings and structures	10-40
Equipment and furnishings	5-20
Water System	50

Investments
The City's cash is considered to be cash on hand, demand deposits, short-term investments, and monies invested in the Georgia local government investment pool. State statutes authorize the City to invest in obligations of the state of Georgia, the U.S. Government and Corporations of the U.S. Government, obligations insured by the by the U.S. Government, and the local government investment pool. The City has no other investments except certificates of deposit in various local banks.

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

NOTE 2 **Fixed Assets**

Changes in General Fund Fixed Assets	Balance 1/1/2012	Increases	Decreases	Balance 12/31/2012
Capital Assets, Not Being Depreciated				
Land	$ 150,000	0	0	$ 150,000
Drainage Project	459,278	0	0	459,278
Well	8,870	0	0	8,870
Paving and Signs – City Hall	126,597	0	2,980	123,617
	744,745	0	2,980	741,765
Capital assets being depreciated				
Buildings	318,206	9,846	0	328,052
Furniture and Fixtures	26,569	0	0	26,569
Vehicles	147,317	16,924	21,077	143,164
Equipment	217,322	14,855	0	232,176
Pool and Fence	31,423	0	0	31,423
Paving	50,509	4,774	0	55,194
Total Capital Assets	1,536,091	46,399	24,057	1,558,433
Less: Accumulated Depreciation				
Buildings	(63,275)	(8,092)	0	(71,367)
Furniture and Fixtures	(14,338)	(2,106)	0	(16,444)
Vehicles	(134,151)	(7,030)	21,076	(120,105)
Equipment	(158,457)	(26,490)	0	(184,947)
Pool and Fence	(18,847)	(3,142)	8	(21,989)
Paving	(1,412)	(2,719)	0	(4,131)
Total Accumulated Depreciation	(390,480)	(49,579)	21,076	(418,983)
Net Capital Assets	$ 1,145,611			$ 1,139,450

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General Government	$ 27,214
Law Enforcement	7,621
Public Ways & Facilities	14,743
Total depreciation – Governmental Activities	$ 49,579

NOTE 2 FIXED ASSETS (CONTINUED)

SUMMARY OF PROPRIETARY-TYPE PROPERTY

WATERWORKS FUND

	Balance 1/1/2012	Increases	Decrease	Balance 12/31/2012
Water System and Extensions	$ 416,781	$ 0	0	$ 416,781
Water Tanks and Additions	491,852	6,109	0	497,961
Buildings, Equipment and Fence	822,769	0	0	822,769
Total Capital Assets	1,731,402	6,109	0	1,737,511
Less Accumulated Depreciation				
Water System and Extensions	(190,183)	(8,298)	0	(198,481)
Water Tanks and Additions	(227,319)	(6,746)	0	(234,065)
Buildings, Equipment and Fence	(245,253)	(38,755)	0	(284,008)
	(662,755)	(53,799)	0	(716,554)
TOTAL	$ 1,068,647			$ 1,020,957

THIS SPACE

INTENTIONALLY

LEFT

BLANK.

NOTE 3 C.D.B.G. Funds-Notes receivable

During 2008, the City utilized Revolving Loan Funds to assist Wanda Lynn Pate in the purchase of land, furniture, equipment and inventory for Pate's Country Store. The original amount of the loan was $40,000 at (5%) interest, and is to be paid back by a monthly payment of $316 over 15 years.

	Interest	Principle	Total
2013	1,543	2,254	3,797
2014	1,428	2,369	3,797
2015	1,307	2,490	3,797
2016	1,180	2,617	3,797
2017	1,046	2,751	3,797
2018-2023	3,054	19,417	22,471
Total	9,558	31,898	41,456

NOTE 4 Litigation

Officials of the City of Arabi, Georgia advice us that there were no material litigations, claims or assessments for or against the City at December 31, 2012.

NOTE 5 Contingent Liabilities

There were no contingent liabilities at December 31, 2012.

NOTE 6 Interfund Receivables and Payables

The General Fund owes the Water Works Fund $6,438 for the year ending December 31, 2012. This balance is due to expenditures being paid by one Fund for the other Fund during 2012 of $17,454.

NOTE 7 Pension Plan

At December 31, 2012 the City did not have a pension plan.

NOTE 8 Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosure of certain information concerning individual funds, including a deficit balance of retained earnings of proprietary type funds. No deficit balance existed at 12-31-12.

NOTE 9 EXCESS OF EXPENDITURES OVER APPROPRIATION

The original 2012 budget was not amended during the year. The individual major fund which has expenditures in excess of appropriations for the year ended December 31, 2012 is as follows:

	Expenditures	Appropriations	Variance
Law Enforcement	40,641	37,640	3,001
Fire Department	44,173	44,000	173

The City Council will review budget spending and amend the budget as necessary.

NOTE 10 Note Payable –Water Works

The City owes Georgia Environmental Facilities Authority (G.E.F.A.) a note payable (G.E.F.A. #2) in the original amount of $168,789 for the purpose of Arabi Water System Instrumentation. This loan is being paid with monthly payments of $853.87 at two (2%) percent interest.

G.E.F.A. # 2

	Interest	Principal	Total
Year 2013	2,932	7,314	10,246
Year 2014	2,785	7,461	10,246
Year 2015	2,635	7,611	10,246
Year 2016	2,482	7,764	10,246
Year 2017	2,324	7,923	10,247
2018-2022	9,158	42,074	51,232
2023-2027	4,737	46,495	51,232
2028-2030	568	23,351	23,919
	$ 27,621	$ 149,993	$ 177,614

The current portion of notes payable to G.E.F.A. is:

Utility Service Co., Inc.	7,715
G.E.F.A. #2	7,314
Total Current	$ 15,030

During the year 2002, the City entered into a maintenance contract with the Utilities Service Co., Inc. for annual maintenance on the water tanks. The contract allows a 3% increase/decrease every 3 years. The contract price paid for 2012 was $7,715. The contract price in 2013 will be $7,715.

Water Works – Long Term Debt
Changes in Long – Term Debt

Description	Beginning Balance	Increase	Decrease	Ending Balance
Utility Service Co., Inc	$ 7,715	$ 7,715	$ 7,715	$ 7,715
G.E.F.A	5,710	-	5,710	0
G.E.F.A # 2	157,158	-	7,165	149,993
	$ 170,583	$ 7,715	$ 20,590	$ 157,708

NOTE 11 Risk Management

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as a part of the Georgia Inter-local Risk Management Agency and the Georgia Municipal Association Workers Compensation Self Insurance Fund, Public Entity Risk Pools currently operating as common risk management and insurance programs for member local governments.

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

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the Worker's Compensation Law of Georgia. The Funds are to pay all cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

NOTE 12 Joint Venture

Under Georgia Law, the City, in conjunction with other cities and counties in the eight county West Central Georgia area, is a member of the River Valley Regional Commission (RVRC) (formerly Middle Flint Regional Development Center (RDC)) and is required to pay annual dues thereto During the year ended December 31, 2012, the City paid $ 519 in such dues. Membership in RVRC is required by the Official Code of Georgia Annotated (OCGA) section 50-8-34 which provides for the organizational structure of the RVRC in Georgia. The RVRC board membership includes the chief elected official of each municipality and county of the area OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of RVRC. Separate financial statements may be obtained from:

RIVER VALLEY REGIONAL COMMISSION
228 WEST LAMAR STREET
AMERICUS, GEORGIA 31709

NOTE 13 Bank Deposits

At December 31, 2012, the carrying amount of the City's deposits was $362,534 and the bank balance was $368,654. All funds were covered by federal depository insurance. The carrying amount of the City's deposits held at Planters First Bank was $194,505 and the bank balance was $198,849. This entire amount is covered by FDIC insurance due to the bank's participation in the FDIC's Transaction Guarantee Program, which covers all demand deposits up to any amount that have an interest rate less than 0.05%.

SUPPLEMENTAL

INFORMATION

CITY OF ARABI, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL
at December 31, 2012

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Taxes	$ 118,800	$ 118,800	$ 123,942	$ 5,142
Licenses	10,800	10,800	10,406	(394)
Commissions	49,200	49,200	45,481	(3,719)
Law Enforcement	45,000	45,000	65,722	20,722
Other Revenues	34,490	34,490	1,270	(33,220)
	$ 258,290	$ 258,290	$ 246,821	$ (11,469)
Expenditures				
Current Operating:				
General Government	$ 132,850	$ 132,850	$ 128,094	$ 4,756
Public Protection:				
Law Enforcement	37,640	37,640	40,641	(3,001)
Fire Department	44,000	44,000	44,173	(173)
Public Ways and Facilities	43,300	43,300	35,138	8,162
Capital Outlay	500	500	0	500
	258,290	258,290	248,046	10,244
Revenue over (under) Expenditures	0	0	(1,225)	
Fund Balance – Beginning	0	0	76,007	
Fund Balance - Ending	$ 0		$ 74,782	

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF ARABI, GEORGIA
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
Year Ended December 31, 2012

Revenues	
Interest Earned	$ 1,663
Total Revenue	$ 1,663
Expenditures	
Payments to Others	2,234
Total Expenditures	$ 2,234
Excess Expenditures over revenue	(571)
Excess Expenditures over Revenue	(571)
Fund Balance – Beginning	$ 36,870
Fund Balance – Ending	$ 36,299

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF ARABI, GEORGIA
SPLOST – CAPITAL PROJECT FUND
SCHEDULE OF ASSETS, LIABILITIES, & FUND BALANCES
December 31, 2012

ASSETS	
Cash in Bank	$ 90,629
SPLOST Receivable	8,098
Total Assets	$ 98,727
LIABILITIES AND FUND BALANCES	
Liabilities	$ 0
Total Liabilities	$ 0
Fund Balances	
Reserved	$ 98,727
Total Fund Balances	$ 98,727
TOTAL LIABILITIES AND FUND BALANCES	$ 98,727

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF ARABI, GEORGIA
SPLOST – CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES
December 31, 2012

REVENUES	
Intergovernmental Revenue	$ 42,450
Interest Income	9
Total Revenues	$ 42,459
CAPITAL OUTLAY	
Equipment	$ 38,079
Roads and Paving	1,794
Total Expenditures	$ 39,873
Other Financing Sources (Uses):	
Sale of Asset	1,510
Total other Financing Sources (uses)	0
NET CHANGE IN FUND BALANCE	$ 4,096
FUND BALANCES – BEGINNING	$ 94,631
FUND BALANCES - ENDING	$ 98,727

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF ARABI, GEORGIA
ARABI INDUSTRIAL DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND
SCHEDULE OF ASSETS, LIABILITIES, & FUND BALANCES
December 31, 2012

ASSETS	
Cash and Cash Equivalents	$ 1,046
Total Assets	$ 1,046
LIABILITIES AND FUND BALANCES	
Bond Payable	$ 1,046
Total Liabilities	$ 1,046
Fund Balances	
Unreserved	$ 0
Total Fund Balances	$ 0
TOTAL LIABILITIES AND FUND BALANCES	$ 1,046

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF ARABI, GEORGIA
Arabi Industrial Development Authority
Schedule of Revenues, Expenditures, & Changes in Fund Balances
December 31, 2012

REVENUES	
Interest Income	$ 2
Total Revenues	$ 2
EXPENDITURES	
Tourism and promotion	$ 0
Miscellaneous	$ 0
Total Expenditures	$ 0
NET CHANGE IN FUND BALANCE	2
FUND BALANCES – BEGINNING	$ 1,044
FUND BALANCES - ENDING	$ 1,046

The Accompanying Notes are an Integral Part of these Financial Statements.

On July 14, 1992, the City of Arabi Entered into a contract agreement with the Georgia Interlocal Risk Management
Agency (GIRMA) for insurance coverage as follows:

Combined Property, Casualty, and Crime Coverage Description

Coverage period:
From: 05-01-12 at 12:01 A.M. local time at the named members address
To: Continuous

Coverage Description-Property		
Buildings and contents	$	1,553,865
Boiler and Machinery	$	113,440
Automobile physical damage	Per Application	
Coverage Description-Casualty		
General Liability	$	1,000,000
Law Enforcement Liability	$	1,000,000
Automobile Liability	$	1,000,000
Errors and omissions (Public Officials) Liability	$	1,000,000
Employee Benefits Liability	$	1,000,000
Pollution Liability	N/A	
Coverage Description-Crime		
Blanket Bond/Employee Dishonesty	$	500,000
Depositors Forgery	$	500,000
Money and securities-loss inside and outside the premises	$	500,000

Deductible:
All coverage's are subject to a per occurrence deductible of $ 1,000.

Coverage Exceptions:
None

Coverages subject to retroactive date:
(Unless stated otherwise in the coverage exceptions)

Public officials liability	7/19/1992
Employee benefits liability	7/19/1992
Pollution liability	N/A

Coverage is subject to all terms conditions, and internal limits as specified in the G.I.R.M.A. agreement.

The City continues workman compensation and employer liability coverage under the Georgia Municipal Association
Self-insured Fund (GMASIF-250) with standard coverage provisions.

WANDA J. USSERY, CPA, P.C.

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
GEORGIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON SPECIAL PURPOSE LOCAL OPTION SALES TAX

Honorable Mayor
Member of the City Council
City of Arabi, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Arabi, Georgia for the year ended December 31, 2012. This schedule is the responsibility of the City of Arabi's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax 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 Schedule of Special Purpose Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Sales Tax. We believe that our audit provides a reasonable bases for our opinion.

The accompanying Schedule of Special Purpose Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated 48-8-121 on the accrual basis as described in Note 1 and is not intended to be a complete presentation of City of Arabi's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Sales Tax referred to above present fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in City of Arabi's resolution or ordinance calling for the tax for the year ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

Wanda J. Ussery, CPA, P.C.

Fitzgerald, GA 31750
June 25, 2013

707 South Grant Street, P.O. Box 936, Fitzgerald, GA 31750, (229)423-9477, Fax (229)423-9358

CITY OF ARABI, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX PROCEEDS
at December 31, 2012

2005 S.P.L.O.S.T

Project	Original Estimated Cost	Expenditures Prior Years	Expenditures Current Year	Total	Estimated Pct. Of Completion
Medical Clinic	150,000	210,167	0	210,167	140%
Fixed Assets	113,480	158,552	0	158,552	139%
Emergency Weather Alarms	36,520	36,520	0	36,520	100%
Water System Improvements	50,000	30,155	0	30,155	60%
Recreation	50,000	0	0	0	0%
Land Acquisition	25,000	67,768	0	67,768	271%
Industrial Development	25,000	0	0	0	0%
Road Resurfacing	50,000	16,382	0	16,382	33%
	500,000	**519,544**	**0**	**519,544**	

2006 – 2012 S.P.L.O.S.T.

Project	Original Estimated Cost	Expenditures Prior Years	Expenditures Current Year	Total	Estimated Pct. Of Completion
Equipment	175,000	88,372	28,233	116,605	67%
Roads & Paving	105,000	90,172	1,794	91,966	88%
	280,000	**178,544**	**30,027**	**208,571**	

2012-2017 S.P.L.O.S.T.

Project	Original Estimated Cost	Expenditures Prior Years	Expenditures Current Year	Estimated Total	Pct. Of Completion
Police Cars	51,000	0	0	0	0%
Public Work Vehicles	139,000	0	0	0	0%
City Hall/Firestation	100,000	0	9,846	9,846	10%
	290,000	**0**	**9,846**	**9,846**	

REPORTS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

WANDA J. USSERY, CPA, P.C.

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
GEORGIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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
Members of the City Council
City of Arabi, GA

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the remaining fund information of The City of Arabi, as of and for the year ended December 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The City of Arabi's internal control over financial reporting as a basis for designing our auditing procedures and for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The City of Arabi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Arabi's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We identified certain deficiencies in internal control over financial reporting described in the accompanying *Schedule of Findings* and *Responses* that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City of Arabi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of test of noncompliance and other matters are disclosed on the following pages in the *Schedule of Findings and Responses.* There where no significant deficiencies identified and no material weaknesses noted.

The City of Arabi responses to the findings identified in our audit is described in the *Schedule of Findings and Responses.* We did not audit The City of Arabi's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor and Council and is not intended to be and should not be used by anyone other than these specified parties.

Wade J. Usery, CPA, P.C.

Fitzgerald, Georgia
June 25, 2013

SCHEDULE OF FINDINGS AND RESPONSES

City of Arabi, Georgia
Arabi, Georgia

Year Ended
December 31, 2013

FINANCIAL STATEMENT FINDINGS

2010-1

Condition

The City has not established practices for the identification of risks affecting it and has not developed an appropriate fraud risk assessment and monitoring process.

Recommendation

The City should develop a comprehensive fraud risk assessment and monitoring process and those charged with governance should understand and exercise oversight of the assessment and monitoring process.

View of Responsible Officials and Planned Corrective Action

The City is in the process of developing a formal risk assessment plan and comprehensive fraud risks assessment and monitoring plan commensurate with the size and complexity of the City.