CITY OF BOWMAN, GEORGIA

FINANCIAL STATEMENTS

For the Fiscal Year Ended December 31, 2011

WALKER & ASSOCIATES, CPA'S, PC

CITY OF BOWMAN, GEORGIA
FISCAL YEAR ENDED DECEMBER 31, 2011
TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report 1

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position 3

Statement of Activities 4

Fund Financial Statements

Governmental Fund Financial Statements

Balance Sheet 5

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 6

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds 7

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .. 8

Proprietary Fund Financial Statements

Statement of Net Position 9

Statement of Revenues, Expenses, and Changes in Net Position 10

Statement of Cash Flows 11

Notes to Financial Statements 12-25

Required Supplementary Information (other than MD&A)

Schedule of Funding Progress - Retirement Plan 26

Budgetary Comparison Schedules

General Fund ..... 27 - 30

Notes to Required Supplementary Information on Budgetary Accounting and Control 31

COMPLIANCE SECTION

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 ..... 32 - 33

Schedule of Findings and Responses ..... 34 - 35

Schedule of Special Purpose Local Option Sales Tax Estimated Cost and Expenditure Summary 36

Walker and Associates
Certified Public Accountants

Independent Auditor's Report

To the City Council
City of Bowman, 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 City of Bowman, Georgia, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Bowman, Georgia'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, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bowman, Georgia, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows 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 December 7, 2012, on our consideration of the City of Bowman, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City of Bowman, Georgia has not presented Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bowman, Georgia's financial statements as a whole. The accompanying schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121 and is not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The budget comparison information on pages 26 through 31 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Walker & Associates

Walker & Associates, CPA's, PC
Gainesville, Georgia
December 7, 2012

CITY OF BOWMAN, GEORGIA

Statement of Net Position
December 31, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 97,421	$ 31,697	$ 129,118
Accounts receivable (net)	34,997	21,276	56,273
Intergovernmental receivables	34,284	-	34,284
Prepaid expenses	3,314	4,384	7,698
Accrued revenue	-	22,353	22,353
Inventory	-	45,970	45,970
Other assets	34,832	-	34,832
Nondepreciable capital assets	69,078	6,350	75,428
Depreciable capital assets, net	103,081	1,058,317	1,161,398
Deferred charge, net	-	9,000	9,000
Total assets	377,007	1,199,347	1,576,354
Deferred outflows of resources	-	-	-
Liabilities			
Accounts payable and other liabilities	79,609	54,728	134,337
Internal balances	(26,442)	26,442	-
Accrued balances	1,913	2,424	4,337
Customer deposits	-	18,500	18,500
Deferred revenue	80	-	80
Noncurrent liabilities:			
Compensated absences	3,272	4,049	7,321
Due within one year	-	45,729	45,729
Due in more than one year	-	534,046	534,046
Total liabilities	58,432	685,918	744,350
Deferred inflows of resources	-	-	-
Net position			
Net investment in capital assets	172,159	529,073	701,232
Unrestricted	146,416	(15,644)	130,772
Total net position	$ 318,575	$ 513,429	$ 832,004

The accompanying notes are an integral part of these financial statements.

CITY OF BOWMAN, GEORGIA

Statement of Activities

For the Year Ended December 31, 2011

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Governmental Acitivities	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Business-Type Activities	Total
Primary government:							
Governmental activities							
General government	$ 352,723	$ 21,773	$ 1,935	$ 102,673	$ (226,342)		$ (226,342)
Highways and Streets	17,490	35	-	-	(17,455)		(17,455)
Sanitation	64,837	77,132	-	-	12,295		12,295
Culture and recreation	11,143	14,155	-	-	3,012		3,012
Total governmental activities	446,193	113,095	1,935	102,673	(228,490)		(228,490)
Business-type activities							
Water and Sewer	261,636	197,158	-	-		$ (64,478)	(64,478)
Gas	181,697	165,077	-	-		(16,620)	(16,620)
Total business-type activities	443,333	362,235	-	-		(81,098)	(81,098)
Total primary government	$ 889,526	$ 475,330	$ 1,935	$ 102,673			(309,588)
General revenues:							
Sales Taxes					100,735	-	100,735
Insurance Premium Tax					40,431	-	40,431
Franchise Taxes					43,714	-	43,714
Other Taxes					330	-	330
Interest and investment earnings					26	145	171
Miscellaneous					5,780	8,942	14,722
Transfers					(5,250)	5,250	-
Total general revenues, special items, and transfers					185,766	14,337	200,103
Change in net position					(42,724)	(66,761)	(109,485)
Beginning net position					361,299	580,190	941,489
Ending net position					$ 318,575	$ 513,429	$ 832,004

The accompanying notes are an integral part of these financial statements

CITY OF BOWMAN, GEORGIA
Balance Sheet
Governmental Funds
December 31, 2011

Assets	General Fund	Capital Projects Fund	Revolving Loan Fund	(non-major) Cemetery Fund	Total Governmental Funds
Cash	$ 26,531	$ 62,877	$ 4,586	$ 3,427	$ 97,421
Due from other governments	17,183	17,101	-	-	34,284
Receivables (net)	11,121	-	23,876	-	34,997
Prepaid expenses	3,314	-	-	-	3,314
Other assets	-	-	34,832	-	34,832
Due from other funds	26,442	-	-	-	26,442
Total assets	84,591	79,978	63,294	3,427	231,290
Deferred outflows of resources	-	-	-	-	-
Total assets and deferred outflows	$ 84,591	$ 79,978	$ 63,294	$ 3,427	$ 231,290
Liabilities					
Accounts payable	$ 12,360	$ 2,533	$ -	$ -	$ 14,893
Accrued expenses	4,074	-	-	-	4,074
Due to other government	-	-	62,555	-	62,555
Deferred revenue	80	-	-	-	80
Total liabilities	16,514	2,533	62,555	-	81,602
Deferred inflows of resources	-	-	-	-	-
Total liabilities and deferred inflows	16,514	2,533	62,555	-	81,602
Fund balance					
Restricted for:					
Capital projects funds	-	77,445	-	-	77,445
Revolving Loan Fund	-	-	739	-	739
Committed for:					
Library	3,800	-	-	-	3,800
Cemetery	-	-	-	3,427	3,427
Unassigned	64,277	-	-	-	64,277
Total fund balance	68,077	77,445	739	3,427	149,688
Total liabilities, deferred inflows, and fund balance	$ 84,591	$ 79,978	$ 63,294	$ 3,427	$ 231,290

The accompanying notes are an integral part of these financial statements.

CITY OF BOWMAN, GEORGIA

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
December 31, 2011

Total fund balances - governmental funds	$	149,688
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets		1,093,909
Less: Accumulated depreciation		(921,750)
Accrued personal leave not reported in governmental funds		(3,272)
Net position of governmental activities	$	318,575

The accompanying notes are an integral part of these financial statements.

CITY OF BOWMAN, GEORGIA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended December 31, 2011

Revenues	General Fund	Capital Projects Fund	Revolving Loan Fund	(non-major) Cemetery Fund	Total Governmental Funds
Sales taxes	$ 100,735	$ -	$ -	$ -	$ 100,735
Intergovernmental	-	102,511	735	-	103,246
Insurance Premium taxes	40,431	-	-	-	40,431
Franchise taxes	43,714	-	-	-	43,714
Other taxes	330	-	-	-	330
Licenses and Permits	5,458	-	-	-	5,458
Fines	35	-	-	-	35
Contributions	1,200	-	-	100	1,300
Charges for services	90,447	-	-	3,000	93,447
Rental Income	14,155	-	-	-	14,155
Interest	18	162	4	4	188
Miscellaneous	5,680	-	-	-	5,680
Total Revenue	302,203	102,673	739	3,104	408,719
Expenditures					
Current					
General government	218,506	115,411	-	-	333,917
Highways and Streets	17,490	-	-	-	17,490
Sanitation	64,837	-	-	-	64,837
Culture and recreation	11,143	-	-	-	11,143
Total Expenditures	311,976	115,411	-	-	427,387
Excess (deficiency) revenues over (expenditures)	(9,773)	(12,738)	739	3,104	(18,668)
Other financing sources (uses)					
Transfer in	7,750	-	-	-	7,750
Transfers out	(13,000)	-	-	-	(13,000)
Total other financing sources and uses	(5,250)	-	-	-	(5,250)
Net change in fund balance	(15,023)	(12,738)	739	3,104	(23,918)
Beginning fund balances	83,100	90,183	-	323	173,606
Ending fund balances	$ 68,077	$ 77,445	$ 739	$ 3,427	$ 149,688

The accompanying notes are an integral part of these financial statements.

CITY OF BOWMAN, 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, 2011

Net change in fund balances-total governmental funds	$	(23,918)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation ($17,860) exceeded capital outlay ($-0-) in the current period.		(17,860)
The change in compensated absence liability from the prior year		(946)
Net change in net position of governmental activities	$	(42,724)

The accompanying notes are an integral part of these financial statements.

CITY OF BOWMAN, GEORGIA

Statement of Net Position

Proprietary Fund

December 31, 2011

	Water and Sewer Enterprise Fund	Gas Enterprise Fund	Total Enterprise Funds
Assets			
Current Assets:			
Cash	$ 26,115	$ 5,582	$ 31,697
Accounts Receivable (net)	9,797	11,479	21,276
Inventory	-	45,970	45,970
Due from other Funds	-	9,010	9,010
Prepaid Expenses	3,315	1,069	4,384
Accrued Revenue	8,191	14,162	22,353
Total Current Assets	47,418	87,272	134,690
Noncurrent Assets:			
Capital assets			
Land	6,350	-	6,350
Machinery and equipment	1,860,111	167,822	2,027,933
Less accumulated depreciation	(826,377)	(143,239)	(969,616)
Deferred Charge	10,000	-	10,000
Less accumulated amortization	(1,000)	-	(1,000)
Total noncurrent assets	1,049,084	24,583	1,073,667
Total assets	1,096,502	111,855	1,208,357
Deferred outflows of resources	-	-	-
Liabilities			
Accounts Payable	27,598	16,860	44,458
Sales Tax Payable	-	283	283
Accrued Expenses	990	1,434	2,424
Customer Deposits	9,250	9,250	18,500
Due to Other Funds	9,010	26,442	35,452
Short-term Bank Note	-	9,987	9,987
Current Portion of Note Payable	14,744	3,985	18,729
Current Portion of Bonds Payable	27,000	-	27,000
Noncurrent Liabilities:			
Compensated Absence	3,369	680	4,049
Notes payable (Net of Current Portion)	333,850	40,196	374,046
Bonds payable (Net of Current Portion)	160,000	-	160,000
Total liabilities	585,811	109,117	694,928
Deferred inflows of resources	-	-	-
Net Position			
Net investment in capital assets	504,490	24,583	529,073
Unrestricted	6,201	(21,845)	(15,644)
Total net positon	$ 510,691	$ 2,738	$ 513,429

The accompanying notes are an integral part of these financial statements.

CITY OF BOWMAN, GEORGIA

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2011

	Water and Sewer Enterprise Fund	Gas Enterprise Fund	Total Enterprise Funds
Operating revenue			
Charges for service	$ 193,264	$ 164,096	$ 357,360
Connection fees	3,894	981	4,875
Miscellaneous income	5,326	3,616	8,942
Total operating revenue	202,484	168,693	371,177
Operating expenese			
Personal services			
Compensation	43,639	29,817	73,456
Employment taxes	3,711	1,842	5,553
Benefits	9,438	2,386	11,824
Total Personal Services	56,788	34,045	90,833
Expenses			
Purchased natural gas	-	102,740	102,740
Supplies	22,086	10,786	32,872
Repairs and maintenance	40,001	1,216	41,217
Utilities	16,671	5,200	21,871
Miscellaneous	13,821	15,290	29,111
Depreciation	53,039	3,110	56,149
Amortization	500	-	500
Insurance	3,122	780	3,902
Engineering, lab fees and training	36,052	2,783	38,835
Total expenses	185,292	141,905	327,197
Total operating expenses	242,080	175,950	418,030
Operating income/(loss)	(39,596)	(7,257)	(46,853)
Nonoperating revenues (expenses)			
Interest income	9	136	145
Interest expense on loans	(19,556)	(5,747)	(25,303)
Total nonoperating revenues (expenses)	(19,547)	(5,611)	(25,158)
Income/(loss) before transfers	(59,143)	(12,868)	(72,011)
Transfer out	(8,700)	(7,750)	(16,450)
Transfers in	13,000	8,700	21,700
Change in net position	(54,843)	(11,918)	(66,761)
Total net position - beginning	565,534	14,656	580,190
Total net position - ending	$ 510,691	$ 2,738	$ 513,429

The accompanying notes are an integral part of these financial statements.

CITY OF BOWMAN, GEORGIA

Statement of Cash Flows
Proprietary Fund
For The Year Ended December 31, 2011

	Enterprise Funds		
	Water and Sewer	Gas	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	$ 201,948	$ 159,931	$ 361,879
Payments to suppliers	(115,110)	(161,652)	(276,762)
Payments to employees	(54,985)	(34,759)	(89,744)
Net cash provided (used) by operating activities:	31,853	(36,480)	(4,627)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances to other funds	-	(1,925)	(1,925)
Advances from other funds	1,925	8,559	10,484
Short term debt payments - principal	-	(9,431)	(9,431)
Short term debt payments - interest	-	(1,090)	(1,090)
Transfers to other funds	(8,700)	(7,750)	(16,450)
Transfers from other funds	13,000	8,700	21,700
Net cash provided (used) by noncapital financing activities	6,225	(2,937)	3,288
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital debt	-	195,913	195,913
Principal paid on capital debt	(14,308)	(151,732)	(166,040)
Interest paid on capital debt	(19,556)	(4,657)	(24,213)
Deferred charge	500	-	500
Net cash provided (used) by capital and related financing activities	(33,364)	39,524	6,160
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	9	136	145
Net cash provided by investing activities	9	136	145
Net increase (decrease) in cash and cash equivalents	4,723	243	4,966
Cash and cash equivalents - beginning of year	21,392	5,339	26,731
Cash and cash equivalents - end of year	$ 26,115	$ 5,582	$ 31,697
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (39,596)	$ (7,257)	$ (46,853)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	53,039	3,110	56,149
Amortization	500	-	500
Changes in assets and liabilities:			
Accounts receivable	536	8,762	9,298
Prepaid expenses	(1,072)	-	(1,072)
Accrued revenues	1,281	13,687	14,968
Accounts payable	12,962	(9,993)	2,969
Sales tax payable	-	(244)	(244)
Inventory	-	(45,970)	(45,970)
Accrued expenses	40	(26)	14
Customer deposits	2,360	2,165	4,525
Compensated absence	1,803	(714)	1,089
Net cash provided (used) by operating activities	$ 31,853	$ (36,480)	$ (4,627)

The accompanying notes are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Bowman, Georgia, have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and Accounting Principles Board (APB) opinions, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the government's accounting policies are described below.

1-A The Reporting Entity

The reporting entity is defined by GASB 14 and is made up of the primary government and its component units.

The foundation of a primary government is a separately elected governing body--one that is elected by the citizens in a general, popular election. As the nucleus of the financial reporting entity, the primary government generally is the focal point for the users of the financial statements. A primary government is any state government or general purpose local government (municipality or county) that meets all of the following criteria:

a. It has a separately elected governing body.
b. It is **legally separate.**
c. It is **fiscally independent** of other state and local governments.

All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of a primary government.

The following circumstances set forth a primary government's financial accountability for a legally separate organization.

The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The City has no component units.

1-B Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the 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 nonexchange 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 statement 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category- governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The City has one non-major fund, the Cemetery Fund, a governmental fund.

Proprietary fund operating revenues and expenses result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues and expenses, such as subsidies, investment earnings or interest expense, result from non-exchange transactions or ancillary activities.

Receivables from and payables to external parties are reported separately and not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

The City reports the following major governmental funds:

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

Capital Projects Fund. This fund accounts for *Special Purpose Local Option Sales Tax* financial resources expended for purposes approved by referendum.

Revolving Loan Fund – This fund accounts for the financial resources of the City's revolving loan program.

The City reports the following major enterprise funds:

Water and Sewer Fund. This fund accounts for the operations of the City's water and sewer services.

Gas Fund. This fund accounts for the operation of the City's natural gas service.

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. The government-wide and proprietary fund financial statements are reported using 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. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is 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. Sales taxes, franchise 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 long-term debt, claims and adjustments, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

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 position 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 revenues.

1-C Assets, Liabilities, and Equity [Primary government]

Investments

As of December 31, 2011, the City did not have investments.

Cash and Cash Equivalents

The City's custodial credit risk policy is to require all banks to collateralize the City's deposits at 110% of account balances and to have a perfected security agreement supporting the collateral agreement with the bank. The City does not have a perfected securities agreement with Pinnacle Bank. The City does not have a foreign credit risk. The City considers short-term liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates to be cash equivalents – only investments with original maturities of three months or less meet this definition. Non-negotiable certificates of deposit are considered as cash equivalents.

Restricted Assets

These assets are held in the capital projects fund and special revenue funds for specific purposes defined by statute, referendum, or grant contract and not generally available for general government operations.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for doubtful collections.

Property Tax Calendar

The City of Bowman does not levy a property tax.

Inventories and Prepaid Items

In the proprietary, funds inventories are valued at the lower of cost or market. In the governmental funds, the cost of inventory items are recorded as expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Also refer to Note 7 for additional information concerning inventory items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than ***$1,000*** and an estimated useful life in excess of one year. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

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

Asset Class	*Estimated Lives*	*Capitalization Threshold*
Buildings	25	$1,000
Improvement-other	10-25	$1,000
Vehicles	5	$1,000
Equipment	5-15	$1,000
Infrastructure	20-25	$1,000
Furniture & Fixtures	5-7	$1,000

Compensated Absences

Compensated absences for the City includes both vacation and sick pay. Leave time is based on an employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid full value for any accrued leave earned not to exceed the number of leave hours outlined in the employee policy manual.

Vested or accumulated leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations. Vested or accumulated leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. The balance of compensated absences is recorded as a noncurrent liability and disclosed as a long term debt.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section of 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. Currently the City does not have any items that qualify for reporting in this category.

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. Currently the Town does not have any items that qualify for reporting in this category.

Recently Issued Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* GASBS No. 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement is effective for periods beginning after December 15, 2011. The City does not have any SCAs and therefore the adoption of GASBS No. 60 does not have any impact on the City's financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements no. 14 and No. 34.* GASBS No. 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This Statement is effective for periods beginning after June 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In December 2010, the GASB issued Statement No. 62,*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The provisions of Statement 62 are effective for periods beginning after December 15, 2011. Early application is encouraged which Management has elected to do.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Fund Equity

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

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

Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally 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. The City Council also may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's finance officer to assign fund balances.

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 balances only in the general fund. Negative unassigned fund balances may be reported in all funds.

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:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Committed
Assigned
Unassigned

Net position - Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position are reported as restricted as described in the fund balance section above. All other net position are reported as unrestricted.

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

NOTE 2. CASH [Primary government]

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2011, the City's deposits held at financial institutions were covered by FDIC insurance.

NOTE 3. RECEIVABLES [Primary government]

The following is a summary of amounts due from others at December 31, 2011.
Receivable from:

Governmental activities:	Receivable	Allowance for doubtful Accounts	Net receivables
Accounts receivable	$ 44,247	9,250	$ 34,997
Due from other governments	$ 34,284	-	$ 34,284
Business-Type activities:			
Accounts receivable	$ 51,145	29,869	$ 21,276

NOTE 4. LITIGATION [Primary government]

The Attorneys for the City have advised that there are no known legal matters which will have a material effect on the City's financial condition. No provision has been made to provide reserves for litigation settlements.

NOTE 5. DEFERRED CHARGE [Primary government]

Note issuance cost is capitalized as a deferred charge on the balance sheet and is amortized over the life of the indebtedness. The amount reported on the Statement of Net position is net of amortization of $1,000.

Business-Type Activities:	
Note issuance cost	$10,000
Less amortization	(1,000)
Deferred Charge-net	$9,000

NOTE 6. SHORT-TERM DEBT [Primary government]

Governmental Activities Debt – The following is a summary of the outstanding short-term debt for the City's governmental activities.

Due to non-compliance, the Georgia Department of Community Affairs suspended the City's Revolving Fund Loan grant on December 7, 2005. As a result, the City is required to return all grant funds (principal and interest) as collected on outstanding loans made using grant funds. During fiscal year ending December 31, 2009, the City foreclosed on a property due to loan default. The property is currently being held for resale. When sold, due to the loan fund suspension, all net proceeds will be remitted to the Georgia Department of Community Affairs. The foreclosed property is recorded as "other assets" at the remaining loan balance.

Business-type Activities Debt – The following is a summary of the outstanding short-term debt for the City's business-type activities.

On July 31, 2009, the Gas Fund obtained a short term bank loan which requires 6 semi annual payments of $5,260 and carries an interest rate of 6.375%. The City plans to pay this debt out of the current funds.

Changes in short term debt:

	December 31, 2010	Repayments	New Borrowing	December 31, 2011
Gas Fund	$ 19,418	$ 9,431		$ 9,987

NOTE 7. LONG-TERM DEBT [Primary government]

The City's Long-Term Debt consists of obligations for revenue bonds and intergovernmental notes payable. The following is a summary of changes in long-term debt for the year ended December 31, 2011. The amounts reported as Long-Term Debt in the Statement of Net position represents amounts not expected to be paid with expendable available resources.

Business-type Activities Debt – The following is a summary of the outstanding debt for the City's business-type activities.

Bonds – In January 1982, the City issued Water and Sewerage Bonds, Series 1982 in the amount of $370,000 at an interest rate of 5.0% with an annual payments varying between $21,900 and $22,750 with a maturity date of December 31, 2021. Proceeds from this issue were used for water plant improvements. The City was unable to make the required payment for 2011. Consequently, the 2011 and 2012 payments are considered as due in 2012.

Maturities and debt service requirements remaining on the bond issue are as follows:

Year	Principal	Interest	Total
2012	$ 27,000	$ 17,950	$ 44,950
2013	14,000	7,950	21,950
2014	15,000	7,250	22,250
2015	16,000	6,500	22,500
2016	17,000	5,700	22,700
2017-2021	98,000	15,250	113,250
Totals	$ 187,000	$ 60,600	$ 247,600

NOTE 7. LONG-TERM DEBT [Primary government](continued)

Intergovernmental loans:

In October 2008, the City received a loan from Georgia Environmental Facilities Authority (GEFA) in the amount of $500,000, to make capital improvements to the City's drinking water distribution infrastructure. Most improvements have been completed as of December 31, 2009. The original note requires amortization over 20 years at 0% rate of interest. However, accounting principles require an economic cost of loan balances. Accordingly, management has discounted the loan through an imputed interest charge of three (3%) percent. The loan discount was recorded as a prior period adjustment in 2009.

On April 1, 2011, the Gas Fund obtained a Small System Improvement Loan through the Municipal Gas Authority of Georgia to finance a system expansion. After certain inventories were purchased the project was abandoned and the remaining loan proceeds returned to the Authority. The original issued debt was $195,913 at a 4% rate of interest to be amortized monthly over ten years. However, in November 2011, the sum of $143,983 was returned and the remaining balance re-amortized over the remaining 113 months of the original loan. The payments are currently $473.33 per month. The City is attempting to sell the unused inventory and pay this debt out of sale proceeds and other current funds.

Total long term debt principal and interest schedule:

Year	Principal	Interest	Total
2012	$ 18,729	$ 11,951	$ 30,680
2013	19,340	11,340	30,680
2014	19,971	10,709	30,680
2015	20,622	10,058	30,680
2016	21,297	9,383	30,680
2017-2021	113,566	36,046	149,612
2022-2026	105,711	19,289	125,000
2027-2029	73,539	3,545	77,084
Totals	$ 392,775	$ 112,321	$ 505,096

Changes in Long-term Debt – Changes in the City's long-term obligations, including current portions, consisted of the following for the year ended December 31, 2011:

Compensated absences are composed of accumulated personal leave pay at December 31, 2011, which will be paid from the General, Water & Sewer, and Gas funds.

	Outstanding at 12/31/2010	Additions	Reductions	Outstanding at 12/31/2011	Amount Due in One Year
Governmental Activities					
Compensated Absences	$ 2,326	$ 946	$ -	$ 3,272	$ -
Net Governmental Activities	$ 2,326	$ 946	$ -	$ 3,272	$ -
Business-Type Activities					
Water & Sewer Bonds	$ 187,000	$ -	$ -	$ 187,000	$ 27,000
Water & Sewer Note Payable	362,902	-	14,308	348,594	14,744
Gas Project Loan	-	195,913	151,732	44,181	3,985
Compensated Absences	2,960	1,089		4,049	-
Net Business-Type Activities	$ 552,862	$ 197,002	$ 166,040	$ 583,824	$ 45,729

NOTE 8. DEFERRED REVENUE [Primary government]

Deferred revenue in the government wide and governmental fund financial statements:

Business licenses:	$ 80	Business licenses collected in the current year but not earned until year ending 12/31/12.
Total	$ 80	

NOTE 9. RISK MANAGEMENT [Primary government]

The City purchases Workers Compensation Insurance through the Georgia Municipal Association Worker's Compensation Self Insurance Fund. The City's policy year starts on January 1st and ends on December 31st of each year. The premium for the policy year of 2011 was $8,361. The City also purchases General Liability Insurance through the Georgia Interlocal Management Agency. The City's policy year starts May 1st and ends on April 30th of each year. The premium for the year ending April 30, 2011 was $16,674.

As part of these risk pools, 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 of 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 proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

With respect to other types of risk including torts, theft or destruction of assets, errors of omissions, and acts of God, the City has purchased sufficient insurance and, therefore, transferred risk of loss. There have been no settlements in the previous three years in excess of insurance.

NOTE 10. CAPITAL ASSETS [Primary government]

	Beginning Balances 1/1/2011	Increases	Decreases	Ending Balances 12/31/2011
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 69,078	$ -	$ -	$ 69,078
Total capital assets not being depreciated	69,078	-	-	69,078
Capital assets being depreciated:				
Buildings and Improvements	910,345	-	-	910,345
Vehicles	21,724	-	-	21,724
Equipment	85,162	-	-	85,162
Infrastructure	7,600	-	-	7,600
Total capital assets being depreciated	1,024,831	-	-	1,024,831

NOTE 10. CAPITAL ASSETS [Primary government](continued)

	Beginning Balances 1/1/2011	Increases	Decreases	Ending Balances 12/31/2011
Accumulated depreciation:				
Buildings and Improvements	850,769	4,020	-	854,789
Vehicles	12,424	3,300	-	15,724
Equipment	38,607	10,160	-	48,767
Infrastructure	2,090	380	-	2,470
Total accumulated depreciation	903,890	17,860	-	921,750
Total governmental capital assets being depreciated, net	120,941	(17,860)	-	103,081
Total governmental capital assets,net	$ 190,019	$ (17,860)	$ -	$ 172,159

	Beginning Balances 1/1/2011	Increases	Decreases	Ending Balances 12/31/2011
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 6,350	$ -	$ -	$ 6,350
Construction in progress	-	-	-	-
Total capital assets not being depreciated	6,350	-	-	6,350
Capital assets being depreciated:				
Vehicles	22,000	-	-	22,000
Equipment	89,302	-	-	89,302
Improvements other than building	6,905	-	-	6,905
Buildings and systems	1,909,726	-	-	1,909,726
Total capital assets being depreciated	2,027,933	-	-	2,027,933
Total capital assets	2,034,283	-	-	2,034,283
Accumulated depreciation:				
Vehicles	22,000	-	-	22,000
Equipment	80,560	3,917	-	84,477
Improvements other than building	2,267	986	-	3,253
Buildings and systems	808,640	51,246	-	859,886
Total accumulated depreciation	913,467	56,149	-	969,616
Total capital assets being depreciated, net	1,114,466	(56,149)	-	1,058,317
Business-type activity assets, net	$ 1,120,816	$ (56,149)	$ -	$ 1,064,667

Depreciation expense was charged to functions as follows:

Governmental activities:		Business-type activities:	
General Government	$ 17,860	Water and Sewer	$ 53,039
Streets	-	Gas	3,110
Total Depreciation	$ 17,860	Total depreciation	$ 56,149

NOTE 11: PENSION PLAN

Plan Description

The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), a Defined Benefit Plan which is an agent multi-employer public employee retirement system that acts as a common investment and administrative agent for participating cities in Georgia. The plan is administered by Georgia Municipal Association (GMA) and provides pension benefits, and death and disability benefits, which were established and may be amended by City Council Ordinance and change of contract with GMA. The City elected to participate in GMEBS as of October 1, 1992, as a result of a contract between the City and the GMEBS. Regular employees may participate in the plan when they have completed one year of service. Employees vest in the plan after 5 years of service with the City. Elected officials have no waiting period to participate and are immediately vested in the plan. All employees also participate in the federal social security administration plan. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. The City makes all contributions to the plan; employees are not obligated to make any contributions.

The plan periodically issues an overall report to the required agencies. A stand-alone report for the City of Bowman is available through the City Clerk's office.

Funding Policy:

The City is required to contribute an actuarially determined amount monthly to the plan's trust. The contribution amount is determined using actuarial methods and assumptions approved by the GMEBS Plan Trustees and is intended to satisfy the minimum contribution requirements set forth in controlling State of Georgia statutes. This year's minimum contribution was $30,885 or 19.64% of annual covered payroll, which was $157,256. The costs of administering the plan are financed through contributions and earnings.

The City's annual pension cost and net pension obligation for the current year are as follows:

	July 1, 2011
Annual Required Contribution	$ 30,885
Annual Pension Cost	
Basis of Valuation:	
Current Valuation Date	7/1/2011
Investment Rate of Return	7.75%
Projected Annual Salary Increases	3.50%
Cost of Living Adjustments	0.00%
Actuarial Value of Assets	Market Value
Actuarial Funding Method	Projected Unit Credit
Amortization Method	Closed Level dollar for remaining unfunded liability

Trend information for the plan:

Fiscal Year Beginning	Annual Pension Cost (APC)	Actual City Contribution	Percentage of APC Contributed	Net Pension Obligation
7/1/2011	$ 30,885	$ 30,885	100%	-
7/1/2010	$ 30,885	$ 25,506	100%	-
9/1/2009	$ 25,395	$ 6,802	100%	-

NOTE 11: PENSION PLAN(continued)

An analysis of funding progress presented immediately following the "Notes to Financial Statements", as Required Supplementary Information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Funded status, on the Present Value of Accrued Plan Benefits Basis, compares the market value of assets to the present value of accrued plan benefits and is one measure of the ability of the Plan to pay benefits earned by participants. For the plan year ending July 1, 2011, the actuarial value of assets was $252,762, and the market value of assets was $167,485, yielding a funding percentage of 66.26%.

Analysis of the dollar amounts of actuarial value of assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of funding status on a going concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater the percentage, the stronger the plan. The closed level dollar amortization of the initial unfunded actuarial accrued liability is over 30 years from 1992 and changes in the unfunded actuarial liabilities over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods from the end of the year in which such changes arise.

Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Plan's progress in accumulating sufficient assets to pay benefits when due.

Additional Information:

		July 1, 2011
1. Actuarial Present Value of Accumulated Plan Benefits		
Vested:		
Retirees (and others in pay status)	$	179,693
Deferred Vested (former employees)		12,985
Vested Active Participants		49,014
Total		241,692
Non-vested		11,070
Total Present Value of accrued plan benefits	$	252,762
2. Effect of Future Salary Increases		n/a
3. Market value of assets	$	167,485
4. Unfunded/(Surplus) present value of accrued plan benefits	$	85,277
5. Funded percentage		66.26%

NOTE 12. BUDGETS [Primary government]

The following are Governmental Funds for which expenditures exceeded appropriations:

	Budgeted Expenditures and other Financing Uses	Actual Expenditures and Other Financing Uses	Actual in Excess of Appropriations
General Fund	$ 319,700	$ 324,976	$ 5,276
Revolving Loan Fund	$ -	$ -	$ -
Cemetary Fund	$ -	$ -	$ -

The City's legal level of control is at the line item level which is the basis on which the Budgetary Comparison Schedule is prepared.

NOTE 13. INTERFUND BALANCES AND TRANSFERS

Interfund balances:

	Due From:		
Due to:	Gas Fund	Water & Sewer Fund	Total
General Fund	$ 26,442	$ -	$26,442
Water & Sewer Fund	-	-	-
Gas Fund	-	9,010	9,010
Totals	$ 26,442	$ 9,010	$35,452

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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

		Transfer From			
		General Fund	Water and Sewer Fund	Gas Fund	Total
Transfer To	General Fund	$ -	$ -	$ 7,750	$ 7,750
	Water and Sewer Fund	13,000	-		13,000
	Gas Fund	-	8,700	-	8,700
	Total	$ 13,000	$ 8,700	$ 7,750	$ 29,450

NOTE 14. SERIES 1982 WATER AND SEWER BOND COVENANTS

A. The City of Bowman has approximately 449 water and 219 sewer customers at December 31, 2011.

B. The following is a list of insurance policies and fidelity bonds paid for and in force at December 31, 2011.

Items Covered	Insurance Company	Limits
General Liabilities	Georgia Interlocal Risk Management Agency	$1,000,000
Public Officials & Employment Liability	Georgia Interlocal Risk Management Agency	$1,000,000
Building & Contents	Georgia Interlocal Risk Management Agency	$7,562,401
Vehicles	Georgia Interlocal Risk Management Agency	$1,000,000
Workmans Comp.	Georgia Municipal Association	$2,000,000
Fidelity Bond:		
City Clerk	Western Surety Company	$40,000
Employee Blanket	Western Surety Company	$40,000
Environmental Liability	Georgia Interlocal Risk Management Agency	$1,000,000
		$2,000,000 aggregate

C. Auditor's Statement

The terms and conditions of the Series 1982 bond resolution have been examined for the fiscal year ending December 31, 2011. The City is not in compliance with all bond covenants.

NOTE 15. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission (RDC) and is required to pay annual dues thereto. During its year ended December 31, 2011, the City paid $862 in such dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from:

Georgia Mountains Regional Commission
1310 W. Ridge Road
Gainesville, GA 30501

NOTE 16. COMPLIANCE

At December 31, 2011, the City was not in compliance with the following statutes / covenants:

The City is not in compliance with all bond and note covenants.

OCGA 36-81-3 Expenditures in excess of appropriations.

OCGA 36-80-12 Relating to the unbonded indebtedness.

NOTE 17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 7, 2012.

CITY OF BOWMAN, GEORGIA
Defined Benefit Retirement Plan
Required Supplementary Information
Schedule of Funding Progress
December 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Surplus) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / ('c)
9/1/2009	166,520	277,586	111,066	59.99%	116,173	95.60%
7/1/2010	192,739	278,320	85,581	69.25%	154,574	55.37%
7/1/2011	201,239	282,639	81,400	71.20%	170,094	47.86%

CITY OF BOWMAN, GEORGIA
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Budget to GAAP Differences	Actual	Variance with Final Budget
	Original	Final	Budgetary	Over / (Under)	GAAP Basis	Over / (Under)
REVENUES						
Sales Taxes	$ 117,000	$ 117,000	$ 100,735	$ -	$ 100,735	$ (16,265)
Intangible Tax	875	875	330	-	330	(545)
Real Estate Transfer Tax	175	175	32	-	32	(143)
Franchise Tax	43,000	43,000	48,028	-	48,028	5,028
Insurance Premiums	49,200	49,200	40,431	-	40,431	(8,769)
License & Permits	5,000	5,000	5,458	-	5,458	458
City Events	-	-	1,046	-	1,046	1,046
Administrative and election fees	210	210	7,279	-	7,279	7,069
Fines	100	100	35	-	35	(65)
Sales of Surplus Property	100	100	250	-	250	150
Returned Checks Collected	1,500	1,500	307	-	307	(1,193)
Garbage Fees	69,000	69,000	73,555	-	73,555	4,555
Penalties	1,500	1,500	1,673	-	1,673	173
Limb Pick-up Service	3,800	3,800	3,577	-	3,577	(223)
Reconnect Fees	2,000	2,000	1,530	-	1,530	(470)
Rent - Multipurpose Building	4,000	4,000	5,375	-	5,375	1,375
Rent - Bowmart	6,000	6,000	6,000	-	6,000	-
Interest	65	65	18	-	18	(47)
Donations	-	-	1,200	-	1,200	1,200
Miscellaneous	2,000	2,000	1,669	-	1,669	(331)
Other Rent	500	500	2,780	-	2,780	2,280
Copies	675	675	895	-	895	220
Transfer In	-	-	7,750	-	7,750	7,750
Fund Balance	-	13,000	-	-	-	(13,000)
Total Revenues	$ 306,700	$ 319,700	$ 309,953	$ -	$ 309,953	$ (9,747)

CITY OF BOWMAN, GEORGIA
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Budget to GAAP Differences	Actual	Variance with Final Budget
	Original	Final	Budgetary	Over / (Under)	GAAP Basis	Over / (Under)
EXPENDITURES						
Mayor & Council	$ 4,700	$ 4,700	$ 4,525	$ -	$ 4,525	$ (175)
City Clerk & Assistant	80,000	80,000	77,890	-	77,890	(2,110)
Employee Bonus	700	700	832	-	832	132
Attorney	20,400	20,400	13,408	-	13,408	(6,992)
Consulting Fees	1,000	1,000	501	-	501	(499)
Election	800	800	6,636	-	6,636	5,836
Social Security	6,500	6,500	5,721	-	5,721	(779)
Workers Compensation	2,300	2,300	4,517	-	4,517	2,217
Life & Health Insurance	3,200	3,200	3,156	-	3,156	(44)
Unemployment Insurance	1,320	1,320	969	-	969	(351)
Code Enforcement/Animal Contr	2,000	2,000	877	-	877	(1,123)
Auditor	15,000	15,000	13,616	-	13,616	(1,384)
Advertising	3,000	3,000	-	-	-	(3,000)
General Insurance	11,000	11,000	14,330	-	14,330	3,330
Office Supplies	4,200	4,200	1,083	-	1,083	(3,117)
Dues	5,100	5,100	-	-	-	(5,100)
Employee Retirement	25,500	25,500	30,885	-	30,885	5,385
Training	4,500	4,500	2,360	-	2,360	(2,140)
Cell Phones	1,300	1,300	3,291	-	3,291	1,991
Returned Check Expense	1,100	1,100	62	-	62	(1,038)
Donations Expense	-	-	500	-	500	500
Professional Fees	1,500	1,500	-	-	-	(1,500)
Supplies	350	350	4,477	-	4,477	4,127
Miscellaneous	2,500	2,500	5,933	-	5,933	3,433
Postage	3,000	3,000	2,013	-	2,013	(987)
Subtotal of Expenditures	200,970	200,970	197,582	-	197,582	(3,388)

CITY OF BOWMAN, GEORGIA
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Budget to GAAP Differences	Actual	Variance with Final Budget
	Original	Final	Budgetary	Over / (Under)	GAAP Basis	Over / (Under)
EXPENDITURES (cont'd)						
Subtotal carried over	$ 200,970	$ 200,970	$ 197,582	$ -	$ 197,582	$ (3,388)
Community Center Maintenance	1,750	1,750	-	-	-	(1,750)
Telephone & Internet	2,300	2,300	-	-	-	(2,300)
Travel	1,700	1,700	-	-	-	(1,700)
Garbage Service	61,380	61,380	65,028	-	65,028	3,648
Utilities - Park	1,500	1,500	1,298	-	1,298	(202)
Utilities - City Hall	4,600	4,600	4,372	-	4,372	(228)
Utilities - Streets	15,000	15,000	16,524	-	16,524	1,524
Utilities - Community Center	4,000	4,000	5,220	-	5,220	1,220
Utilities - Other	1,000	1,000	390	-	390	(610)
Contingency	175	175	-	-	-	(175)
Limb Pick-Up Service	-	-	-	-	-	-
Street Patching	-	-	-	-	-	-
Repairs & Maintenance - City Hall	1,000	1,000	596	-	596	(404)
Repairs & Maintenance - City Shop	725	725	614	-	614	(111)
Repairs & Maintenance - Equipment	-	-	182	-	182	182
Repairs & Maintenance - Streets	200	200	70	-	70	(130)
Repairs & Maintenance - Vehicles	200	200	-	-	-	(200)
Repairs & Maintenance - Parks & R	1,500	1,500	1,616	-	1,616	116
Repairs & Maintenance - Other	1,500	1,500	1,170	-	1,170	(330)
Professional Fees	-	-	1,063	-	1,063	1,063
Contract Labor	1,000	1,000	1,147	-	1,147	147
Equipment Rent	800	800	896	-	896	96
Gas & Oil	100	100	1,835	-	1,835	1,735
Document Shredding Service	500	500	420	-	420	(80)
Security System	300	300	1,625	-	1,625	1,325
Office Equipment	3,000	3,000	-	-	-	(3,000)
Subtotal of Expenditures	305,200	305,200	301,648	-	301,648	(3,552)

CITY OF BOWMAN, GEORGIA
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Budgetary	Budget to GAAP Differences Over / (Under)	Actual GAAP Basis	Variance with Final Budget Over / (Under)
EXPENDITURES (cont'd)						
Subtotal carried over	$ 305,200	$ 305,200	$ 301,648	$ -	$ 301,648	$ (3,552)
Professional Fees - Pest Control	1,500	1,500	-	-	-	(1,500)
Payroll Taxes	-	-	-	-	-	-
Repairs & Maintenance - Library	-	-	3,086	-	3,086	3,086
Equipment Rental	-	-	-	-	-	-
Miscellaneous Expense	-	-	7,242	-	7,242	7,242
Bank Charges	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-
Cemetary	-	-	-	-	-	-
Transfer to Gas Fund	-	13,000	13,000	-	13,000	-
Total Expenditures	$ 306,700	$ 319,700	$ 324,976	$ -	324,976	$ 5,276
Net Change in Fund Balance	-	-	-	-	(15,023)	-
Fund Balance - Beginning	-	-	-	-	83,100	-
Fund Balance - Ending					$ 68,077	

CITY OF BOWMAN, GEORGIA
Notes to Required Supplementary Information
on Budgetary Accounting and Control
Year Ended December 31, 2011

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City prepares its annual operating budget under the provisions of the official Code of Georgia. In accordance with those provisions, the following process is used to adopt the annual budget:

(a). Prior to December 1, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

(b). Public hearings are conducted at regular Commission meetings to obtain taxpayer comments. Public hearings are normally scheduled no later than 15 days prior to the beginning of the budget year.

(c). Subsequent to the public hearings, the budget is legally enacted through the passage of a resolution by the City Council.

All governmental funds with revenues and/or expenditures as defined by State law are required to have annual budgets. The legal level of control at which expenditures may not legally exceed appropriations is at the line item level within a fund.

Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The city heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the line item level.

Compliance

As noted on the Budgetary Comparison Schedule this City has exceeded its appropriated budget for several line items of its governmental functions.

BUDGET REQUIREMENTS

For the year ended December 31, 2011, the following supplemental increases and decreases in appropriations were approved:

Fund Type	Original Budget	Supplemental Appropriations	Supplemental Decreases	Revised Appropriations
General Fund	$ 306,700	$ 13,000	$ -	$ 319,700

Walker and Associates
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

To the Mayor and City Council
City of Bowman
Bowman, Georgia

We have audited the financial statements of the governmental activities the business-type activities, each major fund and the aggregate remaining fund information of the City of Bowman, Georgia as of and for the year ended December 31, 2011, which collectively comprise the City of Bowman, Georgia's basic financial statements and have issued our report thereon dated December 7, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bowman, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bowman, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Bowman, Georgia'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 its 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 on 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, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Finding and Responses, item 2011-4, that we consider to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bowman, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2011-1 through 2011-3.

The City of Bowman, Georgia's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the City of Bowman, Georgia's response and, accordingly, we express no opinion on it.

We noted certain other matters that we reported to the management of the City of Bowman, Georgia in a separate letter dated December 7, 2012.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Walker & Associates

Walker & Associates, CPA's, PC
Gainesville, Georgia
December 7, 2012

City of Bowman, Georgia

Schedule of Findings and Responses
For the Year Ended December 31, 2011

Findings – Financial Statement Audit

Compliance

2011-1	Condition:	The City is not in compliance with the debt covenants related to the 1982 USDA bonds or the Borrower covenants for the GEFA loan.
	Criteria:	Each loan document contains covenants the city is required to comply with regarding profitability, reserve account balances, due diligence, and restrictions on the transfer of funds out of the water and sewer fund.
	Cause:	The City's operating cash needs in prior years forced the City to take actions that resulted in violations of several covenants related to the debt agreements.
	Effect:	Violation of bond/note covenants jeopardizes the City's credit rating and invites action by the bond and note holders.
	Recommendation:	The City must budget to replenish reserve requirements listed in debt covenants and implement policies and procedures to prevent future violations of the debt covenants.
	Response:	The City agrees with the finding.
2011-2	Condition:	The City is not in compliance with OCGA 36-80-12 related to unbonded indebtedness.
	Criteria:	City must hold an election to obtain voters approval to incur bonded debt.
	Cause:	The City has outstanding unbonded indebtedness at December 31, 2011 without holding an election to obtain approval from the citizens of the City of Bowman.
	Effect:	The City has outstanding unbonded debt at December 31, 2011.
	Recommendation:	The City should hold an election and obtain voter approval in advance of obtaining unbonded indebtedness or payoff the short-term debt prior to December 31 of each year.
	Response:	The City agrees with the finding.
2011-3	Condition:	The City is in violation of OCGA 36-81-3 related to general fund expenditures in excess of the legally authorized budget.
	Criteria:	The City should not have expenditures in excess of the approved budget.
	Cause:	The City had expenditures in excess of the legally authorized budget.
	Effect:	The City is in violation of OCGA 36-81-3.
	Recommendation:	The City should implement procedures to monitor expenditures vs. budget to insure there are no expenditures in excess of the approved budget.
	Response:	The City agrees with the finding.

Internal Control

2011-4	Condition:	The City does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.
	Criteria:	The City should possess the ability to prepare its own financial statements or have access to someone with adequate technical training and education to review the financial statements prepared by others.
	Cause:	The City staff does not have the accounting skills necessary to prepare financial statements in accordance with accounting principles generally accepted in the United States.
	Effect:	The City does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.
	Recommendation:	The City should consider employing someone or contracting with another entity to review the financial statements prepared by the auditor.
	Response:	The City agrees with the finding.

CITY OF BOWMAN, GEORGIA
Schedule of Special Purpose Local Option Sales Tax
Estimated Cost and Expenditure Summary
For the Year Ended December 31, 2011

Project Description	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST 2006					
Street Improvements	$ 112,500	$ 112,500	$ 43,390	$ 9,598	$ 52,988
Water and Sewer Improvements	200,000	200,000	150,572	92,427	242,999
City Buildings	75,000	75,000	134,787	671	135,458
City Vehicles and Buildings	112,500	22,348	44,696	9,957	54,653
Total SPLOST 2006	$ 500,000	$ 409,848	$ 373,445	$ 112,653	$ 486,098
SPLOST 2011					
Streets & Sidewalk Improvements	$ 205,000	$ 205,000	$ -	$ 2,758	$ 2,758
Water, Sewer & Gas Improvements	150,000	150,000	-	-	-
City Buildings	185,000	185,000	-	-	-
City Park	15,000	15,000	-	-	-
Vehicles and Equipment	50,000	50,000	-	-	-
Hospital Equipment	55,000	55,000	-	-	-
Total SPLOST 2011	$ 660,000	$ 660,000	$ -	$ 2,758	$ 2,758