CITY OF BOWMAN, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

CITY OF BOWMAN, GEORGIA
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2012

TABLE OF CONTENTS

FINANCIAL SECTION

	PAGE
Independent Auditor's Report	1-2
Management's Discussions and Analysis	A1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	B1
Statement of Activities	B2-B3
Fund Financial Statements:	
Balance Sheet - Governmental Funds	B4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	B5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	B6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	B7
Statement of Net Position - Proprietary Funds	B8
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	B9
Statement of Cash Flows - Proprietary Funds	B10-11
Notes to Financial Statements (An integral part of the "Liftable" basic financial statements)	C1-C19

Required Supplementary Information:
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual:
General Fund D1-D3
Notes To Required Supplementary Information D4

Other Supplementary Information:
Report On Schedule of Special Purpose Local
Option Sales Tax E1
Schedule of Projects Funded with Special Purpose
Local Option Sales Tax Proceeds E2
Report on Compliance and other matters and on internal control over
Financial reporting based on an audit of Financial Statements performed
in accordance with *Government Auditing Standards* E3-E4
Schedule of Findings and Questioned Costs E5



Hawkins & McNair, CPAs

224 E. Broad St.
Winder, GA 30680
770-867-9426
Fax/770-867-1240

INDEPENDENT AUDITOR'S REPORT

To the City of Bowman
Bowman, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Bowman, Georgia, (City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

The City has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Hawkins & McNair, CPAs
Winder, Georgia
July 28, 2013

City of Bowman, Georgia
Management's Discussion and Analysis
Fiscal year ended December 31, 2012

The Management's Discussion and Analysis (MD&A) section is omitted in this presentation.

City of Bowman, Georgia
Statement of Net Position
As of December 31, 2012

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 98,404	$ 27,580	$ 125,984	$ -
Receivables, net	32,860	54,388	87,248	-
Other assets	34,832	-	34,832	-
Internal Balances	69,069	(69,069)	-	-
Receivables from other governments	32,158	-	32,158	-
Prepaids	6,491	-	6,491	-
Inventory	-	45,970	45,970	
Capital assets:				
Land and construction in progress	69,068	6,350	75,418	-
Other capital assets, net of accumulated depreciation	92,760	1,121,958	1,214,718	-
Deferred charge, net	-	8,000	8,000	
Total assets	**$ 435,642**	**$ 1,195,177**	**$ 1,630,819**	**$ -**
LIABILITIES				
Accounts payable	$ 25,985	$ 17,199	$ 43,184	$ -
Accrued balances	886	9,432	10,318	
Due to other governments	58,388	-	58,388	-
Bonds payable - current	-	14,000	14,000	-
Notes, lease obligations, and estimated claims payable, current	-	69,340	69,340	-
Customer Deposits	-	20,975	20,975	-
Compensated absences	3,456	-	3,456	-
Payable to primary government, non-current	-	-	-	-
Intergovernmental payable	-	-	-	-
Notes, lease obligations, and estimated claims payable, non-current	-	514,706	514,706	-
Bonds payable, non-current	-	-	-	-
Total liabilities	**$ 88,715**	**$ 645,652**	**$ 734,367**	**$ -**
NET POSITION				
Net investment in capital assets	$ 161,828	$ 530,262	$ 692,090	$ -
Restricted	$ 86,637	$ -	$ 86,637	$ -
Unrestricted	98,462	19,263	117,725	-
Total net position	**$ 346,927**	**$ 549,525**	**$ 896,452**	**$ -**

See accompanying notes to financial statements.

City of Bowman, Georgia
Statement of Activities
Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government:					
Governmental activities:					
General government	$ 206,019	$ 20,110	$ -	$ 101,967	$ (83,942)
Highways & Streets	16,960	-	-	-	(16,960)
Sanitation	64,956	94,188	-	-	29,232
Culture & Recreation	7,822	8,725	-	-	903
Total governmental activities	$ 295,757	$ 123,023	$ -	$ 101,967	$ (70,767)
Business-type activities:					
Water/Sewer	$ 233,928	$ 196,510	$ -	$ -	$ (37,418)
Gas	176,294	158,765	-	-	(17,529)
Total business-type activities	410,222	355,275	-	-	(54,947)
Total primary government	$ 705,979	$ 478,298	$ -	$ 101,967	$ (125,714)

See accompanying notes to financial statements.

City of Bowman, Georgia
Statement of Activities (Continued)
Year Ended December 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in Assets:			
Net (expense) revenue	$ (70,767)	$ (54,947)	$ (125,714)
General revenues:			
Taxes:			
Sales taxes	$ 100,238	$ -	$ 100,238
Insurance Premium Tax	42,945	-	42,945
Franchise taxes (fees)	44,150	-	44,150
Other taxes	966	-	966
Unrestricted investment income	715	5	720
Miscellaneous	-	-	-
Total general revenues	$ 189,014	$ 5	$ 189,019
Transfers In/Out	**(91,038)**	**91,038**	**-**
Change in net position	**27,209**	**36,096**	**63,305**
Prior year adjustment	**1,143**	**-**	**1,143**
Net position—beginning	**318,575**	**513,429**	**832,004**
Net position—ending	**$ 346,927**	**$ 549,525**	**$ 896,452**

See accompanying notes to financial statements.

City of Bowman, Georgia
Balance Sheet--Governmental Funds
As of December 31, 2012

	General	SPLOST Capital Projects	Revolving Loan Fund	(Non-major) Cemetery Fund	Total Governmental Funds
ASSETS					
Cash	$ 23,344	$ 66,959	$ 4,572	$ 3,529	$ 98,404
Receivables (net)	11,305	-	21,555	-	32,860
Other assets	-	-	34,832	-	34,832
Due from other funds	69,069	-	-	-	69,069
Receivable from other Governments	15,051	17,107	-	-	32,158
Prepaids	6,491	-	-	-	6,491
Total assets	**$ 125,260**	**$ 84,066**	**$ 60,959**	**$ 3,529**	**$ 273,814**
LIABILITIES and FUND BALANCES					
LIABILITIES					
Accounts Payable	$ 25,985	$ -	$ -	$ -	$ 25,985
Accrued expenses	886	-	-	-	886
Due to governments	-	-	58,388	-	58,388
Payable to component units	-	-	-	-	-
Interest payable	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Liabilities payable from restricted assets:					
Accounts payable	-	-	-	-	-
Other	-	-	-	-	-
Total liabilities	**$ 26,871**	**$ -**	**$ 58,388**	**$ -**	**$ 85,259**
FUND BALANCES					
Nonspendable	$ -	$ -	$ -	$ -	$ -
Prepaid expense	6,491	-	-	-	6,491
Restricted for:					
Capital projects	-	84,066	-	-	84,066
Revolving loan fund	-	-	2,571	-	2,571
Committed for:					
Library	3,340	-	-	-	3,340
City Park	1,946	-	-	-	1,946
Cemetery	-	-	-	3,529	3,529
Unassigned	86,612	-	-	-	86,612
Total fund balances	**98,389**	**84,066**	**2,571**	**3,529**	**188,555**
Total liabilities and fund balances	**$ 125,260**	**$ 84,066**	**$ 60,959**	**$ 3,529**	**$ 273,814**

See accompanying notes to financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
December 31, 2012

CITY OF BOWMAN, GEORGIA

Total fund balance – total governmental funds	$	188,555
Amounts reported for *governmental activities* in the statement of net position are different because:		
Accrued personal leave not reported in governmental funds.		(3,456)
Capital assets of $ 1,101,480, net of accumulated depreciation of ($ 939,652), are not financial resources and, therefore, are not reported in the funds. See Note III. A. 4. for additional detail.	$	161,828
Net position of governmental activities.	$	346,927

See accompanying notes to financial statements.

City of Bowman, Georgia
Statement of Revenues, Expenditures,
and Changes in Fund Balances
--Governmental Funds
Year Ended December 31, 2012

	General	Capital Project (SPLOST) Fund	Revolving Loan Fund	(Non-major) Cemetery Fund	Total Governmental Funds
REVENUES					
Sales tax	$ 100,238	$ -	$ -	$ -	$ 100,238
Insurance Premium	42,945	-	-	-	42,945
Other taxes:					
Other	966	-	-	-	966
Franchise taxes (fees)	44,150	-	-	-	44,150
Licenses and permits	9,528	-	-	-	9,528
Charge for services	94,188	-	-	-	94,188
Investment income	14	77	699	2	792
Intergovernmental	-	101,890	-	-	101,890
Rental Income	8,725	-	-	-	8,725
Other	10,482	-	-	100	10,582
Total revenues	**$ 311,236**	**$ 101,967**	**$ 699**	**$ 102**	**$ 414,004**
EXPENDITURES					
Current:					
General government	$ 186,186	$ -	$ 10	$ -	$ 186,196
Highways & Streets	16,960	-	-	-	16,960
Sanitation	64,956	-	-	-	64,956
Culture and Recreation	7,822	-	-	-	7,822
Debt services:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital Outlay	-	9,308	-	-	9,308
Total expenditures	**$ 275,924**	**$ 9,308**	**$ 10**	**$ -**	**$ 285,242**
Excess (deficiency) of revenues over (under) expenditures	**$ 35,312**	**$ 92,659**	**$ 689**	**$ 102**	**$ 128,762**
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	(5,000)	(86,038)	-	-	(91,038)
Capital financing	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Premium on bonds	-	-	-	-	-
Long-term debt issued	-	-	-	-	-
Total other financing sources and uses	**$ (5,000)**	**$ (86,038)**	**$ -**	**$ -**	**$ (91,038)**
Prior year adjustment	**$ -**	**$ -**	**$ 1,143**	**$ -**	**$ 1,143**
Net change in fund balances	**30,312**	**6,621**	**1,832**	**102**	**38,867**
Beginning fund balance	**68,077**	**77,445**	**739**	**3,427**	**149,688**
Ending fund balance	**$ 98,389**	**$ 84,066**	**$ 2,571**	**$ 3,529**	**$ 188,555**

See accompanying notes to financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
year ended December 31, 2012

CITY OF BOWMAN, GEORGIA

Net change in fund balances- total governmental funds	$	38,867
Amounts reported for *governmental activities* in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of $ 7,570 exceeded depreciation of $ (17,902) in the current period.	$	(10,332)
The change in compensated absences liability from the prior year.	$	(183)
Change in net position of governmental activities.	$	28,352

See accompanying notes to financial statements.

City of Bowman, Georgia
Statement of Net Position
Proprietary Funds
December 31, 2012

	Water/Sewer Fund	Gas Fund	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 16,388	$ 11,192	$ 27,580
Accounts receivable, net	27,879	26,509	54,388
Inventory	-	45,970	45,970
Due from other funds	-	-	-
Prepaids	-	-	-
Total current assets	**44,267**	**83,671**	**127,938**
Non-current assets:			
Capital assets:			
Land and construction in progress	$ 6,350	$ -	$ 6,350
Other capital assets, net of accumulated depreciation	1,071,299	50,659	1,121,958
Deferred charge	10,000	-	10,000
Less accumulated amortization	(2,000)	-	(2,000)
Total non-current assets	1,085,649	50,659	1,136,308
Total assets	**1,129,916**	**134,330**	**1,264,246**
LIABILITIES			
Current Liabilities			
Accounts payable	$ 2,684	$ 14,515	$ 17,199
Sales tax payable	-	782	782
Due to other funds	18,312	50,757	69,069
Customer Deposits	10,440	10,535	20,975
Bond interest payable	8,650	-	8,650
Bonds payable, current	14,000	-	14,000
Notes payable, current	15,192	4,148	19,340
Short term note payable	50,000	-	50,000
Notes payable, non-current	318,658	36,048	354,706
Bond payable, non-current	160,000	-	160,000
Total liabilities	**597,936**	**116,785**	**714,721**
NET POSITION			
Net investment in capital assets	$ 527,799	$ 10,463	$ 538,262
Unrestricted	4,181	7,082	11,263
Total net position	**$ 531,980**	**$ 17,545**	**$ 549,525**

See accompanying notes to financial statements.

City of Bowman, Georgia
Statement of Revenues, Expenses,
and Changes in Fund Net Position
Proprietary Funds
December 31, 2012

	Water/Sewer Fund	Gas Fund	Total Enterprise Funds
OPERATING REVENUES			
Charges for services	$ 188,481	$ 149,571	$ 338,052
Connection fees	2,755	-	2,755
Miscellaneous income	5,274	9,194	14,468
Total operating revenues	196,510	158,765	355,275
OPERATING EXPENSES			
Personal services	58,213	67,529	125,742
Maintenance, operations, and contractual services	67,489	12,310	79,799
Materials, supplies, and other	26,753	92,244	118,997
Depreciation	58,143	1,258	59,401
Total operating expenses	210,598	173,341	383,939
Operating income (loss)	**(14,088)**	**(14,576)**	**(28,664)**
NON-OPERATING REVENUE (EXPENSES)			
Grant income	-	-	-
Investment income	4	1	5
Interest on bonds, notes and lease obligations	(23,330)	(2,953)	(26,283)
Amortization	-	-	-
Payments from component units	-	-	-
Other revenue (expenses)	-	-	-
Total non-operating revenue (expenses)	(23,326)	(2,952)	(26,278)
Income (loss) before contributions and transfers	**(37,414)**	**(17,528)**	**(54,942)**
Capital contributions from developers	-	-	-
Capital contributions, other	-	-	-
Transfers from other funds	58,703	32,335	91,038
Transfers to other funds	-	-	-
Change in net position	**21,289**	**14,807**	**36,096**
Total net position, beginning	**510,691**	**2,738**	**513,429**
Total net position, ending	**$ 531,980**	**$ 17,545**	**$ 549,525**

See accompanying notes to financial statements.

City of Bowman, Georgia
Statement of Cash Flows
Increase (Decrease) in Cash and
Cash Equivalents
Proprietary Funds
December 31, 2012

	Water/Sewer Fund	Gas Fund	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	$ 176,969	$ 157,897	$ 334,866
Cash payments to suppliers for goods and services	(90,408)	(72,835)	(163,243)
Cash payments to employees	(58,213)	(67,529)	(125,742)
Payments for internal services	-	-	-
Other operating revenues	-	-	-
Net cash provided (used) by operating activities	**$ 28,348**	**$ 17,533**	**$ 45,881**
Cash flows from non-capital financing activities:			
Receipts under interfund loan agreements	$ -	$ -	$ -
Payments under interfund loan agreements	-	-	-
Operating grants received	-	-	-
Transfers from other funds	58,703	32,335	91,038
Transfers to other funds	-	-	-
Payments from component units	-	-	-
Net cash provided (used) by non-capital financing activities	**$ 58,703**	**$ 32,335**	**$ 91,038**
		-	
Cash flows from capital and related financing activities:			
Principal paid on bonds, notes, and lease obligations	$ (27,744)	$ (13,972)	$ (41,716)
Acquisition of capital assets	(95,708)	(27,334)	(123,042)
Interest paid on bonds, notes, and lease obligations	(23,330)	(2,953)	(26,283)
New Borrowings	50,000	-	50,000
Capital contributions	-	-	-
Capital grants received	-	-	-
Net cash provided (used) by capital and related financing activities	**$ (96,782)**	**$ (44,259)**	**$ (141,041)**
Cash flows from investing activities:			
Purchase of investments	$ -	$ -	$ -
Proceeds from sale of investments	-	-	-
Investment Income	4	1	5
Net cash provided (used) by investing activities	**4**	**1**	**5**
Net increase (decrease) in cash and cash equivalents	(9,727)	5,610	(4,117)
Cash and cash equivalents at beginning of year	26,115	5,582	31,697
Cash and cash equivalents at end of year	**$ 16,388**	**$ 11,192**	**$ 27,580**

See accompanying notes to financial statements.

City of Bowman, Georgia
Statement of Cash Flows
Increase (Decrease) in Cash and
Cash Equivalents
Proprietary Funds
December 31, 2012

	Water/Sewer Fund	Gas Fund	Total Enterprise Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (14,088)	$ (14,576)	$ (28,664)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	58,143	1,258	59,401
Non-cash operating revenue (expenses)	-	-	-
Non-operating revenue (expenses)	-	-	-
Changes in assets and liabilities:			
(Increase) decrease in deferred charge	1,000	-	1,000
(Increase) decrease in accounts receivable	(9,891)	(868)	(10,759)
(Increase) decrease in due from other funds	-	9,010	9,010
(Increase) decrease in prepaids	3,315	1,069	4,384
Increase (decrease) in accounts payable	(25,904)	(3,779)	(29,683)
Increase (decrease) in due to other funds	9,302	24,315	33,617
Increase (decrease) in customer deposits	1,190	1,285	2,475
Increase (decrease) in sales tax payable	-	499	499
Increase (decrease) in compensated absenses	(3,369)	(680)	(4,049)
Increase (decrease) in bond interest payable	8,650	-	8,650
Total adjustments	42,436	32,109	74,545
Net cash provided (used) by operating activities	**$ 28,348**	**$ 17,533**	**$ 45,881**
Non-cash investing, capital, and financing activities:			
Net increase (decrease) in fair value of investments	$ -	$ -	$ -
Deferred interest expense on revenue bonds	-	-	-
Capital assets contributed by developers	-	-	-
Lessee improvements	-	-	-
Total non-cash investing, capital, and financing activities	**$ -**	**$ -**	**$ -**

See accompanying notes to financial sttements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Bowman (City) are discussed in subsequent sections of this Note. The remainders of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended December 31, 2012.

I. B. FINANCIAL REPORTING ENTITY - BASIS OF PRESENTATION

I. B. 1. COMPONENT UNITS

Bowman operates under a City Council form of government and provides the following services: Streets, Sanitation, and General and Administrative services. In addition the City operates a water/sewer system and a gas fund. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The City does not have any component units.

I. B. 2. RELATED ORGANIZATIONS

-NONE-

I. B. 3. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary funds and component units that are fiduciary in nature, such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures and other charges to user of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers.

These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund Financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns of non-major funds.

I. B. 4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless the conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or with in funds).

Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits are recognized when due and payable in accordance with the terms of the plan. See Note VI.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest which are reported as expenditure in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.
See Note III. A. 2. for related information.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and deprecation of capital assets.

Other revenues and expenses are classified as non-operating in the financial statements. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.
See Note III. A.3. for information describing restricted assets.

Allocation of Indirect Expenses

The City does not allocate indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services

I. B. 5. FUND TYPES AND MAJOR FUNDS

The City reports the following major governmental funds:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

SPLOST Fund – established as a capital projects fund to account for the City's Special Purpose Local Option Sales Tax Revenue and the use of those funds.

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

Proprietary Funds

The City reports the following major enterprise funds:

Water/Sewer Fund – accounts for water and sewer operations.

Gas Fund – accounts for gas operations.

Other Fund Types

-NONE-

I. C. ASSETS, LIABILITIES, AND NET POSITION (EQUITY)

I. C. 1. CASH AND INVESTMENTS

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Cash deposits are reported at carrying amount which reasonably estimates fair value.

I. C. 2. INVENTORIES AND PREPAIDS

Inventories are only recorded by the Gas Fund. Purchases of supplies (maintenance, office, etc.) are generally charged to expense when incurred. Prepaids record payments to vendors that benefit future reporting periods and are reported on the consumption basis. Prepaids are similarly reported in government-wide and fund financial statements.

I. C. 3. DEFERRED CHARGE

Note issuance cost is shown as a deferred charge on the balance sheet and is amortized over the life of the note.

Business-Type Activities:

Note issuance cost	$ 10,000
Less amortization	(2,000)
Net	$ 8,000

I. C. 4. CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units' financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of $1,000 or more as purchase and construction outlays occur.

The cost of normal maintenance and repairs that do not add to the asset value of materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25
Water/Sewer distribution	15-50
Gas Distribution	10-50
Improvements, other than building	10-25
Equipment	5-15
Furniture and fixtures	5-7
Vehicles	5
Infrastructure	20-25

I. C. 5. CAPITALIZED INTEREST

Interest costs are capitalized when incurred by proprietary funds and similar component units on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

I. C. 6. LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNT/PREMIUMS

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond issuance cost, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

I. C. 7. 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 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 purposed, 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:

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.

I. D. REVENUES, EXPENDITURES, AND EXPENSES

I. D. 1. LEASE REVENUE

-NONE-

I. D. 2. COMPENSATED ABSENCES

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, employees are entitled to their sick leave balance and all accrued vacation leave upon termination. The balance of compensated absences is recorded as a noncurrent liability and disclosed as a long-term debt.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

II. A. DEFICIT NET POSITION

Primary Government *(in thousands)*

The following deficit retained earnings balances existed at December 31, 2012.

-NONE-

II. B. BUDGETARY INFORMATION

II. B. 1. BASIS OF BUDGETING

The budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department, which is the legal level of control. "Legal level of control" means the lowest level of budgetary detail at which a local government's management or budget officer may not reassign resources with out approval of the governing authority. The legal level of control shall be, at a minimum, expenditures for each department for each fund for which a budget is required. This does not preclude the governing authority of a local government from establishing a legal level of control at a more detailed level of budgetary control that the minimum required legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval subject to dollar amount limitations.

The City was under budget in all departments. The City adopted budgets for the general and capital projects fund on a basis which approximates generally accepted accounting principles (GAAP).

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS

III. A. ASSETS

III. A. 1. DEPOSITS AND INVESTMENTS *(in thousands)*

Deposits (includes certificates of deposit)

It is the City's policy for deposits to be 110 percent secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end.

The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent on the City's name.

Category 3 – Uncollateralized.

Deposits categorized by level of risk, are:

	Category 1	2	3	Bank Balance	Carrying Amount
Primary Government					
Governmental Activities					
General Fund	24,902	-0-	-0-	24,902	23,344
SPLOST Fund	66,959	-0-	-0-	66,959	66,959
Revolving Loan Fund	4,572	-0-	-0-	4,572	4,572
Cemetery Fund	3,529	-0-	-0-	3,529	3,529

	Category 1	2	3	Bank Balance	Carrying Amount
Business-type Activities					
Water/Sewer	16,584			16,584	16,388
Gas	11,302			11,302	11,192
Total deposits	127,848			127,848	125,984

Investments

Generally, the City's investing activities are managed under the custody of the City Council. Investing is performed in accordance with investment policies complying with state statutes and the City Charter. City funds may be invested in: (1) direct obligations of the United States government, its agencies or instrumentalities to the payment of which the full faith and credit of the government of the United States is pledged, or obligations to the payment of which the full faith and credit of the State of Georgia is pledged; (2) obligations of the Government National Mortgage Association, Federal National Mortgage Association, or Federal home Loan Mortgage Corporation, or any Federal farm credit bank, Federal land bank or Federal home loan bank notes or bonds; (3) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings banks, savings and loan associations and credit unions located in the City when secured by appropriate collateral; (4) repurchase agreements that have underlying collateral of direct obligations or obligations of the Unites States government, its agencies and instrumentalities, (5) money market funds regulated by the Securities and

Exchange Commission and which investments consist of the authorized (domestic securities) and restrictions as specified in state law; (6) State and Local Government Series (SLGS); and (7) City direct debt obligations for which an ad valorem tax may be levied or bonds issued by a public trust of which the City is a beneficiary and judgments rendered against the City by a court of record, provided it is a prudent investment. The City had no such investments at December 31, 2012.

III. A. 2. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE

Enterprise Receivables, Uncollectible Accounts, and Deferred Revenue

Significant receivables include amounts due from customers primarily for utility services and the lease agreements for the Water Tank Antenna. These receivables are due within one year. Certain Enterprise funds reports accounts receivables net of allowance for uncollectibles accounts and revenues net of uncollectibles. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days, depending upon the fund. Related amounts are shown in the following table:

	Water/Sewer	Gas	Total
Unrestricted accounts receivable	$ 47,246	$ 41,946	$ 89,192
Restricted accounts receivable	-0-	-0-	-0-
Total accounts receivable, gross	47,246	41,946	89,192
Less: allowance for uncollectible account	19,367	15,437	34,804
Net accounts receivable	$ 27,879	$ 26,509	$ 54,388

Property Taxes Receivables, Deferred Revenue, and Property Tax Calendar

The City does not receive property taxes.

III. A. 3. RESTRICTED ASSETS

Certain enterprise fund and similar component unit assets are restricted for construction funded through long-term debt and Federal grant revenues. Reserved retained earnings generally include the excess of assets over certain liabilities restricted for the debt service on revenue bonds and capital projects.

(Continued on next page)

III. A. 4. CAPITAL ASSETS

Changes in Capital Assets

The following table provides a summary of changes in capital assets (in thousands):

	CAPITAL ASSETS, NOT DEPRECIATED		CAPITAL ASSETS, DEPRECIATED		
	Land	Construction in Progress	Systems/ Improvements and Buildings	Furniture, Machinery and Equipment	Total
Primary Government					
Governmental Activities					
Balance, December 31, 2011	$ 69	$ -	$ 918	$ 107	$ 1,094
Increases	-	-	5	2	7
Decreases	-	-	-	-	-
Balance, December 31, 2012	$ 69	$ -	$ 923	$ 109	$ 1,101
Accumulated Depreciation					
Balance, December 31, 2011	$ -	$ -	$ 857	$ 65	$ 922
Increases	-	-	5	13	18
Decreases	-	-	-	-	-
Balance, December 31, 2012	$ -	$ -	$ 862	$ 78	$ 940
Governmental Activities					
Capital Assets, Net	$ 69	$ -	$ 61	$ 31	$ 161
Business-type Activities					
Balance, December 31, 2011	$ 6	$ -	$ 1,917	$ 111	$ 2,034
Increases	-	-	123	-	123
Decreases	-	-	-	-	-
Balance, December 31, 2012	$ 6	$ -	$ 2,040	$ 111	$ 2,157
Accumulated Depreciation					
Balance, December 31, 2011	$ -	$ -	$ 864	$ 106	$ 970
Increases	-	-	57	2	59
Decreases	-	-	-	-	-
Balance, December 31, 2012	$ -	$ -	$ 921	$ 108	$ 1,029
Business-type Activities					
Capital Assets, Net	$ 6	$ -	$ 1,119	$ 3	$ 1,128
Primary Government					
Capital Assets, Net	$ 75	$ -	$ 1,180	$ 34	$ 1,289

Commitments

Construction projects included in governmental activities are substantially funded with Special Purpose Local Option Sales Tax.

Depreciation Expense

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

Governmental Activities		Business-type Activities	
General Government	$ 17,902	Water/Sewer	$ 58,143
Total	$ 17,902	Gas	1,258
		Total	$ 59,401

III. B. LIABILITIES

III. B. 1. LEASE COMMITMENTS AND SHORT TERM DEBT

Capital Leases and Notes Payable (dollars in thousands)

The City had no capital leases or other notes payable at December 31, 2012.

Operating Leases

-NONE-

SHORT- TERM DEBT

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 the 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 paid off this debt in the current year.

On June 6, 2012, the Water/Sewer Fund obtained a short-term bank loan in the amount of $ 50,000, which is due to be paid off on March 21, 2013. This loan was to fund repairs to the sewer ponds in anticipation of getting an Emergency Funding Grant.
Changes in short-term debt:

	December 31, 2011	Repayments	New Borrowing	December 31, 2012
Water/Sewer	$ -0-	$ -0-	$ 50,000	$ 50,000
Gas Fund	$ 9,987	$ 9,987	$ -0-	$ -0-

the following loan balance and discount were calculated for financial statement reporting purposes.

Original Loan Balance:	$ 375,616 (beginning loan balance to be reported at 12/31/09)
Loan Discount:	$ 124,384 (will be recorded as revenue for FY ending 12/31/09)
Term:	20 years (240) payments
Payment:	$ 2,083.33/month
1st Payment Due Date:	02/01/2010

Debt service schedule is as follows:

Year	Principal	Interest	Total
2013	$ 15,192	$ 9,808	$ 25,000
2014	15,654	9,346	25,000
2015	16,130	8,870	25,000
2016	16,621	8,379	25,000
2017	17,127	7,873	25,000
2018-2022	93,771	31,229	125,000
2023-2027	108,926	16,074	125,000
2028-2030	50,428	1,655	52,083
Totals	$ 333,849	$ 93,234	$ 427,083

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, 2012.

Compensated absences are composed of accumulated personal leave pay at December 31, 2012, which will be paid from the General Fund.

	Outstanding at 12/31/2011	Additions	Reductions	Outstanding at 12/31/2012	Amount due in one Year
Governmental Activities					
Compensated Absences	$ 3,272	$ 184	$ -0-	$ 3,456	$ -0-
Net Governmental Activities	$ 3,272	$ 184	$ -0-	$ 3,456	$ -0-
Business-type Activities					
Water & Sewer Bonds	$ 187,000	$ -0-	$ 13,000	$ 174,000	$ 14,000
Water & Sewer Note Payable	348,594	-0-	14,744	333,850	15,192
Gas Project Loan	44,181	-0-	3,985	40,196	4,148
Compensated Absences	4,049	-0-	4,049	-0-	-0-
Net Business-type Activities	$ 583,824	$ -0-	$ 35,778	$ 548,046	$ 33,340

III. B. 3. RISK MANAGEMENT – CLAIMS AND JUDGEMENTS

The City is exposed to various risks of loses related to torts, thefts, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

All significant programs are covered by commercial insurance and no significant changes have occurred in coverage during the past three years. During the year ended December 31, 2012, the City paid 0 claims. The City is not aware of any claims which the City is liable for which were outstanding and unpaid at December 31, 2012. No provisions have been made in the financial statements for the year ended December 31, 2012 for any estimate of potential unpaid claims.

III. B. 2. LONG-TERM DEBT

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, 2012. 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 payment 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.

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

Year	Principal	Interest	Total
2013	$ 14,000	$ 8,650	$ 22,650
2014	14,000	7,950	21,950
2015	15,000	7,250	22,250
2016	16,000	6,500	22,500
2017	17,000	5,700	22,700
2018-2021	98,000	15,250	113,250
Totals	$ 174,000	$ 51,300	$ 225,300

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
2013	$ 4,148	$ 1,532	$ 5,680
2014	4,317	1,363	5,680
2015	4,492	1,188	5,680
2016	4,676	1,004	5,680
2017	4,866	814	5,680
2018-2021	17,697	1,236	18,933
Totals	$ 40,196	$ 7,137	$ 47,333

The City obtained a $ 500,000 loan from GEFA along with a $ 500,000 subsidy (grant) for a total of $ 1,000,000 to be used for the expansion and improvement of their water/sewer system. Planned capital improvements were started in fiscal year 2008 and completed as of December 31, 2009. Due to the City's limited financial resources, GEFA provided the loan at a below market contract rate of 0.00%. In order to properly report the loan on the City's financial statements, an imputed interest rate of 3.0% was determined to be appropriate per discussions with GEFA. Using the imputed rate and the payment terms listed in the GEFA loan document,

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City of Bowman became a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. The liability of the fund to the employees of any imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

The fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or deaths within the preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding or compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is to pay all costs taxed against members in any legal proceeding defending by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

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

The City joined the Georgia Interlocal Risk Management Agency which allows the City to share liability, crime, motor vehicle and property damage risks.

Chapter 85 Title 36 of the Official Code of Georgia Annotated authorities Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities – GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions any member of GIRMA against liability or loss.

The City must participate at all times in at least one fund which is established by GIRMA. Other responsibilities of the City are as follows:

--To pay all contributions, assessments or other sums due to GIRMA at such times and in such times and in such amounts as shall be established by GIRMA.

--To select a person to serve as a member representative.

--To allow GIRMA and its agent's reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA.

--To allow attorneys appointed by GIRMA to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the Fund or Funds established by GIRMA.

--To assist and cooperate in the defense and settlement of claims against the City.

--To furnish full cooperation and GIRMA's attorneys, claims adjusters, Service Company, and any agent, employee officer or independent contractor of GIRMA relating to the purposes of GIRMA.

--To follow all loss reduction and prevention procedures established by GIRMA.

--To furnish to GIRMA such budget, operating and underwriting information as may be requested.

--To report as promptly as possible, and in accordance with any Coverage Description issued, all incidents which could result in GIRMA or any Fund established by GIRMA being required to pay a claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the City participates.

--The basis for estimating the liabilities for unpaid claim is "IBNR" established by an actuary.

--During the year ended December 31, 2012, the City paid 0 claims. The City is not aware of any claims which the City is liable for which were outstanding and unpaid at December 31, 2012. No provisions have been made in the financial statements for the year ended December 31, 2012 for any estimate of potential unpaid claims.

III. C. BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

III. C. 1. RECEIVABLES AND PAYABLES

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The City had no receivables and payables within the reporting entity at fiscal year-end.

III. C. 2. TRANSFERS AND PAYMENTS

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement. The City's policy is to repay any internal balance in the following year. For the current year, the City showed the following transfers:

	Transfers In	Transfers Out
SPLOST Fund	-0-	86,038
Water/Sewer Fund	58,703	-0-
Gas Fund	32,335	-0-
General Fund	-0-	5,000
	91,038	91,038

IV. JOINTLY GOVERNED ORGANIZATION AND JOINT VENTURE

IV. A. JOINTLY GOVERNED ORGANIZATION

-NONE-

IV. B. JOINT VENTURE

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

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

V. RETIREMENT PLANS

The City participates in the Social Security Administration, and the State of Georgia Police Officer's Annuity Program. Both plans are administered by others, are separate legal entities, and are not included in the City's financial statements.

The City also participated in the Georgia Municipal Employees Benefit System (GMEBS), a defined benefit pension plan, as authorized by resolution of the City Council. This system is administered by the Georgia Municipal Association, is a separate legal entity and is not included in the City's financial statements. This plan is included in the report of the GMEBS, a copy of which may be obtained from the Georgia Municipal Association.

Ten year historical trend information is presented in separately issued reports by the Administrator of this plan, which provides information about progress made in accumulating sufficient assets to pay benefits when due. This plan is an agent multiple-employer plan covering substantially all the employees of the City, including elected and appointed members of the City's government. Employees are eligible for participation after one year of service and the plan provides for normal and early retirement at age 65 and 55 respectively. The City makes all contributions to the plan; employees are not obligated to make any contributions. The City's total payroll for the current year was $ 141,513 with $ 69,200 being the amount covered payroll for purposes of this plan. The plan is subject to minimum funding standards of the Public Retirement System Standards Law (Georgia Code Section (47-20-10). During the current fiscal year, the City made contributions in the amount of $ 33,986.

a. Funded Status

The table below sets forth required supplementary information to be disclosed in the schedule of funding progress. The items presented are based on the July 1, 2012 actuarial valuation:

- Actuarial value of assets $ 220,297

  * Method used in calculation: roll forward prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains (losses) during 10 prior years.

- actuarial accrued liability $ 283,714
- funded ratio 77.6%
- total unfunded actuarial liability (funding excess) $ 63,417
- annual covered payroll $ 69,200
- ratio of unfunded (excess) to annual covered payroll 91.6%

b. Significant Actuarial Assumptions

The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meets the Actuarial Standard Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices. The current valuations are:

- Rate of Return	7.75% per year
- Projected Salary Increases for:	
-Inflation	3.5% per year
-Merit or Seniority	0.5% per year
-Post Retirement Benefit Increases	N/A

c. Effect of Plan Changes of the Actuarial Accrued Liability

The effect on the actuarial accrued liability of any current-year changed in actuarial assumptions or benefit provisions is:

- The plan provisions valued and the actuarial assumptions are the same as those used in the preceding valuation.

d. Funding Policy and Annual Contributions

The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of Statement No. 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets.

The period and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1994 and current changes in the funded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

e. Effect of Plan Changes on Recommended Contributions.

The effect on the recommended contributions of any current-year changes in actuarial assumptions, benefit provisions or actuarial funding method is:

- The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the proceeding year.

f. Three-year historical trend.

	July 1, 2012	July 1, 2011	July 1, 2010
Actuarial Accrued Liability	$ 283,714	$ 282,639	$ 278,320
Actuarial value of assets	$ 220,297	$ 201,239	$ 192,739
% of actuarial accrued liability	77.6%	71.2%	69.2%
Unfunded actuarial Liability (Surplus)	$ 63,417	$ 81,400	$ 85,581
% of covered payroll	91.6%	47.9%	55.4%
Annual Pension Cost	$ 33,986	$ 30,885	$ 30,885
% of annual pension cost contributed	100%	100%	100%
Annual Covered Payroll	$ 69,200	$ 170,094	$ 154,574
Net pension obligation	-0-	-0-	-0-

(Continued on next page)

Present Value of Accrued Plan Benefits (On-going Basis)

	July 1, 2012 Number of Participants	Present Value of Benefits
Vested Benefits of Retired Participants and Beneficiaries currently receiving payments	9	$ 174,816
Other Vested Benefits		
Terminated vested participants	8	$ 32,511
Active participants	5	$ 47,601
Total present Value of Vested Benefits	22	$ 254,928
Nonvested Benefits	1	$ 370
Total Present value of Accrued Plan Benefits	23	$ 255,298
Unfunded Present Value of Accrued Plan Benefits (Surplus)		$ 180,522
Funded Percentage		70.7%

VI. RELATED PARTY TRANSACTIONS

The City was not involved in any related party transaction during the fiscal year December 31, 2012.

VII. CONTINGENCIES

VII. A. LITIGATION

The City is party to various legal proceeding which normally occurs in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

VII. B. FEDERAL AND STATE GRANTS

In the normal course of operations, the City receives grant fund from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

VIII. PRIOR YEAR ADJUSTMENTS

In the prior year, an error was made on the loans receivable account of the Revolving Loan Fund.

Fund Balance (as reported)	$ 740
Error in receivable payments	1,142
Corrected Fund Balance	$ 1,882

IX. COMPLIANCE

At December 31, 2012, the City was not in compliance with the following:

1.) Bond and note covenants.

2.) OCGA 36-80-12- Related to unbonded indebtedness.

X. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 28, 2013.

City of Bowman, Georgia
General Fund
Schedule of Revenues, Expenditures, Encumbrances,
and Changes in Fund Balances--
Budget and Actual (GAAP Budgetary Basis)
Year Ended December 31, 2012
(dollars are in thousands)

	Original Budget	Revised Budget	Total Actual	Variance
REVENUES				
Taxes:				
Sales Tax	$ 104	$ 104	$ 100	$ (4)
Insurance Premium Taxes	40	40	43	3
Other Taxes	-	-	1	1
Total taxes	144	144	144	-
Licenses and permits:				
Licenses	4	4	10	6
Permits	-	-	-	-
Franchise taxes (fees)	46	46	44	(2)
Other fees	-	-	-	-
Total licenses and permits	50	50	54	4
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	75	75	94	19
Rental income	11	11	9	(2)
Other	8	8	10	2
Total revenues before prior year fund balance	288	288	311	23
Prior year fund balances				
Appropriated for current year budget	68	68	68	-
Reappropriated for prior year encumbrances	-	-	-	-
Total revenues and prior year fund balances	$ 356	$ 356	$ 379	$ 23

City of Bowman, Georgia
General Fund
Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances--
Budget and Actual (GAAP Budgetary Basis)
Year Ended December 31, 2012
(dollars are in thousands)

	Original Budget	Revised Budget	Total Actual	Variance
EXPENDITURES AND ENCUMBRANCES				
General government:				
Personal services	$ 91	$ 91	$ 91	$ -
Supplies	7	7	7	-
Other services and charges	94	94	88	6
Total general government	192	192	186	6
Highways/Streets				
Other services and charges	18	18	17	1
Total Highways/Streets	18	18	17	1
Sanitation	75	75	65	10
Culture & Recreation				
Other services and charges	8	8	8	-
Total culture & recreation	8	8	8	-
Expenditures and encumbrances related to prior year budgets (2)	-	-	-	-
Total expenditures and encumbrances	293	293	276	17
Excess of revenues over expenditures and encumbrances	$ 63	$ 63	$ 103	$ 40

City of Bowman, Georgia
General Fund
Schedule of Revenues, Expenditures, Encumbrances,
and Changes in Fund Balances--
Budget and Actual (GAAP Budgetary Basis)
Year Ended December 31, 2012

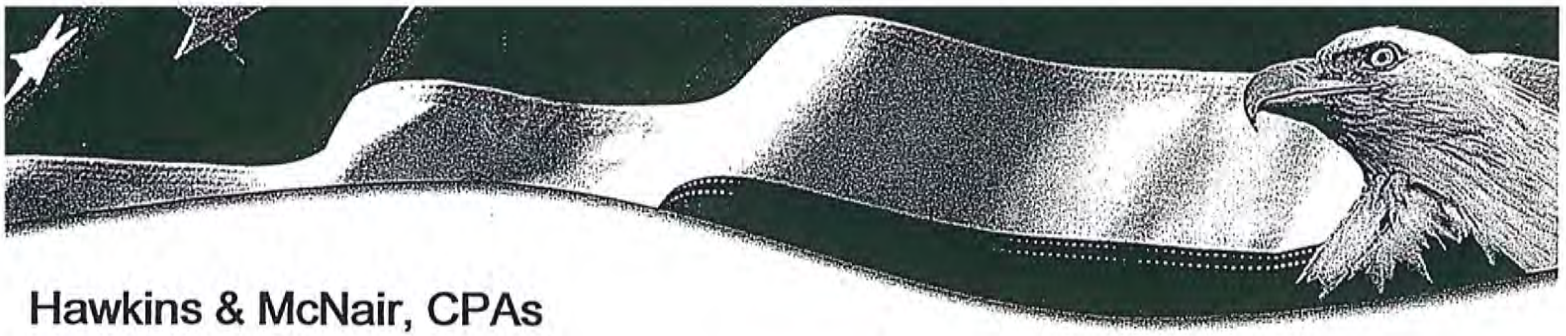
	Original Budget	Revised Budget	Total Actual	Variance
OTHER FINANCING SOURCES (USES)				
Transfers from other funds:				
Grants Management Fund	$ -	$ -	$ -	$ -
Capital Project	-	-	-	-
Gas Fund	5	5	-	(5)
Total transfers from other funds	5	5	-	(5)
Transfers to other funds:				
General government:				
Gas Fund	-	-	(5)	(5)
Grants Management Fund	-	-	-	-
Risk Management Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Total transfers to other funds	-	-	(5)	(5)
Excess of revenues and other sources over expenditures, encumbrances, and other uses	**68**	**68**	**98**	**30**
Fund balances, beginning (-GAAP budgetary basis)	**68**	**68**	**68**	**-**
Less prior year fund balances (1)	(68)	(68)	(68)	-
Fund balance, ending (GAAP budgetary basis)	**$ 68**	**$ 68**	**$ 98**	**$ 30**

(1) The General Fund budget included $ 68 thousand in fund balance carried over from prior years. It is not a revenue of the current period, but is presented as revenue only for budgetary reporting purposes. Beginning budgetary fund balance has been reduced for prior year fund balance to reflect the budgetary ending fund balance projected.

See accompanying notes to financial statements.

Note 1 - Budgetary Information

Budgets for the general fund are adopted on a basis that is consistent with accounting principles generally accepted in the United States as applied to governments.



Hawkins & McNair, CPAs

224 E. Broad St.
Winder, GA 30680
770-867-9426
Fax/770-867-1240

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

July 28, 2013

To the Honorable Mayor and Council
City of Bowman, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Bowman, Georgia for the year ended December 31, 2012. This schedule is the responsibility of the City of Bowman, Georgia'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 Local Option 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 Local Option 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 Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

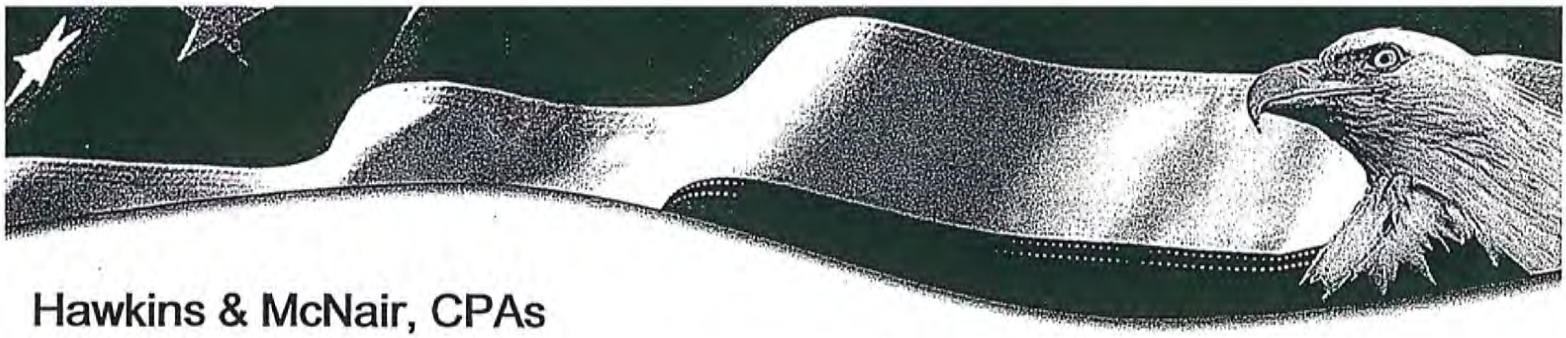
The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the accrual basis as described in Note 1.B.4. and is not intended to be a complete presentation of the City of Bowman, Georgia's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in the City of Bowman, Georgia'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.

Hawkins & McNair, CPAs

CITY OF BOWMAN, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

		EXPENDITURES				
	ORIGINAL ESTIMATED COST	CURRENT ESTIMATED COSTS	PRIOR YEARS	CURRENT YEAR	TOTAL	ESTIMATED PERCENTAGE OF COMPLETION
SPLOST 2006						
Street Improvements	$ 112,500	$ 112,500	$ 52,988	$ 5,075	$ 58,063	52%
City Buildings	75,000	75,000	135,458	-	135,458	100%
City Vehicles and Equipment	112,500	22,348	54,653	3,837	58,490	52%
Water and Sewer Improvements	200,000	200,000	242,999	19,325	262,324	100%
Total SPLOST 2006	**500,000**	**409,848**	**486,098**	**28,237**	**514,335**	**100%**
SPLOST 2010						
Streets/Sidewalks	205,000	205,000	2,758	-	2,758	1%
Water, Sewer and Gas	150,000	150,000	-	66,713	66,713	44%
Vehicles/Equipment	50,000	50,000	-	397	397	1%
City Buildings	185,000	185,000	-	-	-	0%
City Park	15,000	15,000	-	-	-	0%
Hospital	55,000	55,000	-	-	-	0%
Total SPLOST 2010	**660,000**	**660,000**	**2,758**	**67,110**	**69,868**	**11%**



Hawkins & McNair, CPAs

224 E. Broad St.
Winder, GA 30680
770-867-9426
Fax/770-867-1240

INDEPENDENT AUDITOR'S REPORT IN 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 City Council
City of Bowman, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of City of Bowman, Georgia, (City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 28, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 questioned costs as items 2011-1 and 2011-2.

Purpose of this Report

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

Hawkins & McNair, CPAs
Winder, Georgia
July 28, 2013

City of Bowman, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2012

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 diligences, 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 findings.
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, 2012 without holding an election to obtain approval from the citizens of the City of Bowman.
	Effect:	The City has outstanding unbonded debt December 31, 2012.
	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 findings.