CITY OF BYRON, GEORGIA



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

CITY OF BYRON, GEORGIA

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2011

CITY OF BYRON, GEORGIA

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Byron
Byron, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Byron, 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 the City of Byron, 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 the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Byron, Georgia as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows, and the budgetary comparison for the General Fund 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 September 19, 2012, on our consideration of the City of Byron, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contacts, 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.

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The management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 3 through 9, pages 16 through 18 and page 47 are not a required part of the basic financial statements but are 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Byron, Georgia's financial statements as a whole. The combining and individual nonmajor fund financial statements and the schedule of projects constructed with special sales tax proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the schedule of projects constructed with special sales tax proceeds and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Macon, Georgia
September 19, 2012

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the City of Byron, Georgia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities as of December 31, 2011, by $22,494,128.
- The government's total net assets increased by $940,821 for the year ended December 31, 2011
- As of December 31, 2011, total net assets consisted of $14,634,605 invested in capital equipment net of related debt, $2,271,175 restricted, and $5,588,348 unrestricted.
- As of December 31, 2011, the City's governmental funds reported an ending fund balance of $5,160,421, an increase of $69,713 in comparison with the prior year.
- For the year ended December 31, 2011, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the General Fund was $2,562,242 or approximately 72% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as earned but unused vacation leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through administrative fees and charges (business-type activities). The governmental activities of the City include general government, public safety, and public works. The business-type activities of the City include a Water and Sewerage Fund, Natural Gas Fund and Solid Waste Fund.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Byron, Georgia, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Byron, Georgia can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds: the General Fund, Hotel/Motel Tax Fund, Law Enforcement Confiscation Fund, SPLOST 1994 Fund, SPLOST 2000 Fund, SPLOST 2004 Fund, SPLOST 2008 Fund, Capital Improvements Fund and the Debt Service Fund.

The City adopts an annual appropriated budget for the General Fund, Special Revenue Funds and the Debt Service Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Proprietary Funds

The City maintains three proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for the activities of the Water and Sewerage Fund, Natural Gas Fund, and Solid Waste Fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $22,494,128, at the close of the most recent year.

A portion of the City's net assets reflects its investment in capital assets, less any related debt outstanding. As of December 31, 2011, the investment consists of $28,500,923 in assets, accumulated depreciation of $7,834,807 net of outstanding debt of $6,031,511.

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations.

For the year ended December 31, 2011, capital assets increased $1,500,223. Long-term liabilities increased $355,857 as of December 31, 2011, compared to 2010. The increase is the result of a new GEFA loan.

	Governmental Activities		Business-type Activities		Total Net Assets	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	$ 6,154,652	$ 5,781,487	$ 2,700,052	$ 3,466,614	$ 8,854,704	$ 9,248,101
Capital assets	12,050,693	12,297,697	8,615,423	6,868,196	20,666,116	19,165,893
Total Assets	18,205,345	18,079,184	11,315,475	10,334,810	29,520,820	28,413,994
Liabilities						
Current and other liabilities	656,324	377,872	247,739	716,043	904,063	1,093,915
Long-term liabilities	4,776,114	4,952,781	1,346,515	813,991	6,122,629	5,766,772
Total Liabilities	5,432,438	5,330,653	1,594,254	1,530,034	7,026,692	6,860,687
Net Assets						
Invested in capital assets, net of related debt	7,354,212	7,428,117	7,280,393	6,067,363	14,634,605	13,495,480
Restricted	2,256,175	2,451,378	15,000	15,000	2,271,175	2,466,378
Unrestricted	3,162,520	2,869,036	2,425,828	2,722,413	5,588,348	5,591,449
Total net assets	$ 12,772,907	$ 12,748,531	$ 9,721,221	$ 8,804,776	$ 22,494,128	$ 21,553,307

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	$ 1,025,393	$ 842,909	$ 2,053,359	$ 2,030,410	$ 3,078,752	$ 2,873,319
Operating grants and contributions	168,536	518,431	-	-	168,536	518,431
Capital grants and contributions	1,106,543	63,763	1,785,884	1,883,463	2,892,427	1,947,226
General revenues						
Property tax	1,421,314	1,431,498	-	-	1,421,314	1,431,498
Sales tax	323,665	302,347	-	-	323,665	302,347
Other taxes	1,126,860	972,171	-	-	1,126,860	972,171
Investment Earnings	8,962	12,729	20,682	26,761	29,644	39,490
Other	18,943	53,415	-	-	18,943	53,415
Total Revenues	5,200,216	4,197,263	3,859,925	3,940,634	9,060,141	8,137,897
Expenses						
General government	1,332,856	1,217,240	-	-	1,332,856	1,217,240
Public safety	2,049,420	1,948,419	-	-	2,049,420	1,948,419
Public works	2,206,234	615,199	-	-	2,206,234	615,199
Economic development	4,730	-	-	-	4,730	-
Interest on long-term debt	191,968	200,405	-	-	191,968	200,405
Water and sewer	-	-	1,009,853	987,932	1,009,853	987,932
Natural Gas	-	-	378,691	419,130	378,691	419,130
Solid Waste	-	-	228,777	214,822	228,777	214,822
Total Expenses	5,785,208	3,981,263	1,617,321	1,621,884	7,402,529	5,603,147
Excess (deficiency) before transfers and special item	(584,992)	216,000	2,242,604	2,318,750	1,657,612	2,534,750
Transfers	609,368	345,791	(609,368)	(345,791)	-	-
Special item	-	-	(716,791)	-	(716,791)	-
Changes in net assets	24,376	561,791	916,445	1,972,959	940,821	2,534,750
Net assets beginning	12,748,531	12,186,740	8,804,776	6,831,817	21,553,307	19,018,557
Net assets ending	$ 12,772,907	$ 12,748,531	$ 9,721,221	$ 8,804,776	$ 22,494,128	$ 21,553,307

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's council.

As of December 31, 2011, the City's governmental funds reported combined fund balances of $5,160,421, an increase of $69,713 in comparison with the prior year. Approximately 45% of this amount ($2,307,471) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form, 2) legally required to be maintained intact, 3) restricted for particular purposes ($2,256,175), 4) committed for particular purposes, or 5) assigned for particular purposes ($596,775).

Proprietary Funds

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The Water and Sewerage Fund provides water to the City's residential and commercial customers. The Solid Waste Fund provides garbage pick-up to the City's residential and commercial customers. Prior to November 1, 2008, the Natural Gas Fund provided natural gas to residential and commercial customers. Effective November 1, 2008, Mayor and Council merged the Natural Gas System of the City of Byron with and into Jointly Owned Natural Gas (JONG), and at that time the separate existence of the natural gas system of the City of Byron ceased. JONG acquired and operates the natural gas system of the City of Byron, which was a substantial saving to the City of Byron customers. As of November 1, 2008, the City of Byron owns a ten percent share of Section "A" of the JONG system.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City made some budget amendments that resulted in an increase in both budgeted revenue and budgeted appropriations. The following are the main components of the amendments in the General Fund:

- Executive budgeted expenditures increased $77,493 for software subscription and license fees.
- Municipal Court budgeted expenditures increased $30,836 for courtware fees.
- Police department budgeted expenditures increased $76,169 for the purchase of vehicles and equipment. A revenue budget amendment was also made for Department of Justice grant funds.
- Streets department budgeted expenditures increased $83,068 for construction projects. A revenue budget amendment was also made for Department of Transportation grant funds.

A detailed comparison of the general fund budget to actual amounts can be found on pages 16 through 18 of this report.

The City is ever cognizant of the necessity of being good stewards of public funds while at the same time having the responsibility of accumulating sufficient funds to effectively promote growth and development of the economy through purchase of land, providing infrastructure, etc. to entice prospective industry into the City.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities, as of December 31, 2011, amounts to $20,666,116, net of accumulated depreciation. The investment in capital assets includes land, buildings, distribution system, machinery and equipment, and vehicles. For the current year, the investment in capital assets increased $1,500,223. The net change is the result of capital acquisition of $2,944,144, disposals of $716,791, net of accumulated depreciation, and depreciation expense of $727,130.

City of Byron, Georgia's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 646,092	$ 646,092	$ 156,769	$ 156,769	$ 802,861	$ 802,861
Construction in process	1,242,329	1,097,004	4,395,283	2,522,056	5,637,612	3,619,060
Infrastructure	4,744,580	4,929,967	-	-	4,744,580	4,929,967
Building	5,168,660	5,366,699	-	-	5,168,660	5,366,699
Distribution system	-	-	3,899,612	4,034,949	3,899,612	4,034,949
Machinery and equipment	12,538	(6,132)	163,759	154,422	176,297	148,290
Vehicles	196,961	207,682	-	-	196,961	207,682
Intangibles	39,533	56,385	-	-	39,533	56,385
Total	$ 12,050,693	$12,297,697	$ 8,615,423	$ 6,868,196	$20,666,116	$ 19,165,893

Additional information on the City's capital assets can be found in Note 8 on pages 38-39 of this report.

Long-Term Debt

As of December 31, 2011, the City reflects $4,725,000 in bonds payable as long-term debt in the governmental-wide financial statements. The Water and Sewerage Fund reflects GEFA loans and revenue bonds as long-term debt as of December 31, 2011. GEFA loans equal $1,253,030, including $53,445 due within one year. Bonds payable equal $82,000, including $12,000 due within one year.

Additional information on the City's long-term debt can be found in Note 9 on pages 40-43 of this report.

Accomplishments/Growth for 2011

In 2011, several new retail and distribution businesses located in the North Peach Industrial Park in Byron created jobs and will add to the property tax base.

On March 18, 2009 an agreement was entered into, amended on October 2, 2009, between the City of Byron and Peach Hill Properties to build the Benjamin Hawkins Parkway connecting Boy Scout Road and Chapman Road, funded in part by 2008 SPLOST Funds and a Department of Transportation grant. This project is pending completion; waiting for DOT to issue a certificate of completion.

On September 1, 2009, a wastewater agreement was signed between Macon Water Authority and the City of Byron to run a force main to carry sewage from Byron to the Macon Water Authority plant in Bibb County. This project alleviates the City of Byron from building an expansion sewage treatment plant, saving money by transporting sewage to the Macon Water Authority plant. In 2010, the City continued to obtain the necessary easements. A construction bid was awarded in July 2011. This project is still in construction with an estimated completion date of October 2012.

On October 8, 2009, the City of Byron executed a clean water state revolving fund contract administered by GEFA. Byron was awarded $2,720,820 stimulus funds under the American Recovery and Reinvestment Act of 2009 for sanitary sewer rehabilitation. A contract was awarded to CaJenn Construction and Rehabilitation, Inc. to perform the work. A substantial amount of work was done in 2010 and 2011 and the project is still in construction.

The City of Byron continues to expand its water and sewer infrastructure.

The City of Byron was awarded a Streetscape and Sidewalk Project Grant, in the amount of $400,000, to be funded with Transportation Enhancement (TE) funds provided through the Georgia Department of Transportation (GDOT). The Notice to Proceed with Preliminary Engineering for this project was issued in November 2011. The project will cover sidewalks and streetscapes on Main Street and sidewalks on Boy Scout Road, with 80% federal funding and 20% local match. The Project should be completed by 2015.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City of Byron, Georgia, P.O. Box 129, Byron, Georgia 31008.

FINANCIAL STATEMENTS

CITY OF BYRON, GEORGIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Authority
ASSETS				
Cash and cash equivalents	$ 5,026,247	$ 1,515,475	$ 6,541,722	$ 86,473
Certificates of deposit	233,283	142,283	375,566	-
Receivables, net of allowance				
Taxes	1,032,045	-	1,032,045	-
Accounts	-	110,946	110,946	-
Due from Jointly Owned Natural Gas	-	46,136	46,136	-
Due from other government	447,150	18,407	465,557	-
Internal balances	(675,942)	675,942	-	-
Restricted assets	-	21,116	21,116	-
Investment in Jointly Owned Natural Gas	-	169,747	169,747	-
Deferred charge	91,869	-	91,869	-
Capital assets:				
Nondepreciable	1,888,421	4,552,052	6,440,473	2,143,455
Depreciable	10,162,272	4,063,371	14,225,643	-
Total Assets	18,205,345	11,315,475	29,520,820	2,229,928
LIABILITIES				
Accounts payable	618,843	106,007	724,850	28,714
Retainage payable	-	-	-	-
Accrued interest	31,335	4,324	35,659	-
Customer deposits	-	137,408	137,408	-
Unearned revenue	6,146	-	6,146	-
Noncurrent liabilities				
Due within one year	252,688	75,207	327,895	-
Due in more than one year	4,523,426	1,271,308	5,794,734	200,000
Total Liabilities	5,432,438	1,594,254	7,026,692	228,714
NET ASSETS				
Invested in capital assets, net of related debt	7,354,212	7,280,393	14,634,605	2,143,455
Restricted for				
Capital outlay	2,219,495	-	2,219,495	-
Public safety	12,385	-	12,385	-
Other restrictions	24,295	15,000	39,295	-
Unrestricted	3,162,520	2,425,828	5,588,348	(142,241)
Total Net Assets	$ 12,772,907	$ 9,721,221	$ 22,494,128	$ 2,001,214

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: Development Authority
Primary Government:								
Governmental Activities								
General government	$ 1,332,856	$ 174,312	$ 168,536	$ 1,096,861	$ 106,853	$ -	$ 106,853	$ -
Public safety	2,049,420	851,081	-	-	(1,198,339)	-	(1,198,339)	-
Public works	2,206,234	-	-	9,682	(2,196,552)	-	(2,196,552)	-
Economic development	4,730	-	-	-	(4,730)	-	(4,730)	-
Interest on long-term debt	191,968	-	-	-	(191,968)	-	(191,968)	-
Total governmental activities	5,785,208	1,025,393	168,536	1,106,543	(3,484,736)	-	(3,484,736)	-
Business-type Activities								
Water and sewerage	1,009,853	1,402,891	-	1,785,884	-	2,178,922	2,178,922	-
Natural gas	378,691	408,712	-	-	-	30,021	30,021	-
Solid Waste	228,777	241,756	-	-	-	12,979	12,979	-
Total Business-type Activities	1,617,321	2,053,359	-	1,785,884	-	2,221,922	2,221,922	-
Total Primary Government	$ 7,402,529	$ 3,078,752	$ 168,536	$ 2,892,427	(3,484,736)	2,221,922	(1,262,814)	-
Development Authority	$ -	$ -	$ -	$ -				-
Total Component Units	$ -	$ -	$ -	$ -				-
General Revenues								
Property tax					1,421,314	-	1,421,314	-
Sales tax					323,665	-	323,665	-
Insurance premium					211,632	-	211,632	-
Franchise taxes					305,305	-	305,305	-
Beer and wine					145,183	-	145,183	-
Other taxes					464,740	-	464,740	-
Grants and contributions not restricted to specific programs					-	-	-	4,730
Investment earnings					8,962	20,682	29,644	3,933
Miscellaneous					18,943	-	18,943	-
Total General Revenues					2,899,744	20,682	2,920,426	8,663
Transfers					609,368	(609,368)	-	-
Special item					-	(716,791)	(716,791)	-
Total General Revenues, Transfers and Special Item					3,509,112	(1,305,477)	2,203,635	8,663
Change in Net Assets					24,376	916,445	940,821	8,663
Net Assets - Beginning of year					12,748,531	8,804,776	21,553,307	1,992,551
Net Assets - End of year					$ 12,772,907	$ 9,721,221	$ 22,494,128	$ 2,001,214

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General Fund	SPLOST 2008	SPLOST 2000	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 2,138,496	$ 1,602,230	$ 675	$ 1,284,846	$ 5,026,247
Certificates of deposit	117,124	-	-	116,159	233,283
Receivables, net of allowance					
Taxes	1,009,978	-	-	22,067	1,032,045
Due from other governments	29,239	-	417,911	-	447,150
Due from other funds	340,945	-	-	-	340,945
Total Assets	$ 3,635,782	$ 1,602,230	$ 418,586	$ 1,423,072	$ 7,079,670
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 141,433	$ 80,091	$ 369,897	$ 27,422	$ 618,843
Due to other funds	630,547	-	260,043	126,297	1,016,887
Deferred revenues	277,373	-	-	6,146	283,519
Total Liabilities	1,049,353	80,091	629,940	159,865	1,919,249
Fund Balances:					
Restricted	24,187	1,522,139	-	709,849	2,256,175
Assigned	43,417	-	-	553,358	596,775
Unassigned	2,518,825	-	(211,354)	-	2,307,471
Total Fund Balances (deficit)	2,586,429	1,522,139	(211,354)	1,263,207	5,160,421
Total Liabilities and Fund Balances	$ 3,635,782	$ 1,602,230	$ 418,586	$ 1,423,072	$ 7,079,670

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Total governmental fund balances	$	5,160,421
Amounts reported for governmental activities in the Statement of Net Assets differ from amounts reported in the Balance Sheet of Governmental Funds due to the following:		
Deferred charge for issuance costs		91,869
Capital Assets		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land and construction in progress		1,888,421
Cost of the assets		13,998,564
Accumulated depreciation		(3,836,292)
Revenues		
Some of the government's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		277,373
Long-term Liabilities		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the Statement of Net Assets. Long-term liabilities at year-end consist of the following:		
Compensated absences		(79,633)
Bonds payable		(4,725,000)
Bonds discount		28,519
Accrued interest payable		(31,335)
Total Net Assets of Governmental Activities	$	12,772,907

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	SPLOST 2008	SPLOST 2000	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes					
Property tax	$ 1,392,180	$ -	$ -	$ -	$ 1,392,180
Sales tax	323,665	-	-	-	323,665
Insurance premium	211,632	-	-	-	211,632
Franchise taxes	305,305	-	-	-	305,305
Beer and wine	145,183	-	-	-	145,183
Other taxes	256,831	-	-	207,909	464,740
License and permits	144,306	-	-	-	144,306
Intergovernmental	168,536	-	1,096,861	-	1,265,397
Charges for services	30,006	-	-	-	30,006
Fines	848,272	-	-	2,809	851,081
Investment earnings	6,740	6,427	18	5,459	18,644
Other revenues	18,943	-	-	-	18,943
Total Revenues	3,851,599	6,427	1,096,879	216,177	5,171,082
Expenditures:					
Current:					
General government	1,009,472	-	-	83,164	1,092,636
Public safety	2,020,192	-	-	7,961	2,028,153
Public works	504,461	-	-	-	504,461
Economic development	4,730	-	-	-	4,730
Intergovernmental	-	-	-	281	281
Debt Service:					
Principal	-	-	-	175,000	175,000
Interest	-	-	-	193,959	193,959
Capital Outlay	-	223,760	1,444,545	43,212	1,711,517
Total Expenditures	3,538,855	223,760	1,444,545	503,577	5,710,737
Excess (Deficiency) of Revenues Over (Under) Expenditures	312,744	(217,333)	(347,666)	(287,400)	(539,655)
Other Financing Sources (Uses):					
Transfers from other funds	416,024	-	284,266	481,753	1,182,043
Transfers to other funds	(447,930)	-	-	(124,745)	(572,675)
Total other financing sources (uses)	(31,906)	-	284,266	357,008	609,368
Net change in fund balances	280,838	(217,333)	(63,400)	69,608	69,713
Fund Balance - Beginning of year	2,305,591	1,739,472	(147,954)	1,193,599	5,090,708
Fund Balance (deficit) - End of year	$ 2,586,429	$ 1,522,139	$ (211,354)	$ 1,263,207	$ 5,160,421

The accompanying notes are an integral part of the statements.

CITY OF BYRON, 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 changes in fund balances - total governmental funds	$	69,713
Amounts reported for governmental activities in the Statement of Activities differ from amounts reported in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances due to the following:		
Capital Assets		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.		
Total capital outlays		264,517
Total depreciation		(511,521)
Long-term Debt		
Repayment of general obligation, debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		175,000
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		3,568
Accrued interest on debt		1,991
Amortization of issuance costs		(8,026)
Revenues		
Because some revenues will not be collected for several months after the government's year end, they are not considered available revenues and are deferred in the governmental funds. Deferred revenues increased by this amount during the year.		29,134
Change in Net Assets of Governmental Activities	$	24,376

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget Amounts			Variance Positive
	Original	Final	Actual	(Negative)
Taxes:				
General property taxes	$ 1,368,034	$ 1,368,034	$ 1,392,180	$ 24,146
Local option sales tax	302,738	323,665	323,665	-
Other taxes:				
Beer and wine	129,177	145,183	145,183	-
Insurance premium	155,412	211,632	211,632	-
Recording intangible	13,358	13,358	13,895	537
Real estate transfer	4,370	4,370	2,671	(1,699)
Franchise tax	282,738	305,305	305,305	-
Auto and mobile home	103,516	137,561	137,561	-
Business and occupation taxes	46,882	53,162	53,162	-
Public utility taxes	32,092	35,202	35,202	-
Financial institutions	10,214	13,025	13,658	633
Other	485	485	682	197
Total Taxes	2,449,016	2,610,982	2,634,796	23,814
Licenses and Permits:				
Building permits	87,950	87,950	112,636	24,686
Business license	10,427	10,427	8,120	(2,307)
Alcohol beverage licenses	26,600	26,600	23,550	(3,050)
Total Licenses and Permits	124,977	124,977	144,306	19,329
Fines and Forfeitures:				
Fines	611,717	611,717	838,239	226,522
Other police revenue	9,801	9,801	10,033	232
Total Fines and Forfeitures	$ 621,518	$ 621,518	$ 848,272	$ 226,754

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

	Budget Amounts			Variance Positive
	Original	Final	Actual	(Negative)
Intergovernmental Revenues:				
Department of Justice	$ 79,990	$ 133,357	$ 133,357	$ -
Georgia Department of Transportation	-	21,601	21,601	-
Other grants	-	13,578	13,578	-
Total Intergovernmental Revenues	79,990	168,536	168,536	-
Charges for Services:				
Rents	20,940	20,940	24,052	3,112
Administrative fees	5,378	5,378	5,919	541
Animal control fees	100	100	35	(65)
Total Charges for Services	26,418	26,418	30,006	3,588
Miscellaneous:				
Interest earnings	7,611	7,611	6,740	(871)
Insurance proceeds	10,000	10,000	15,521	5,521
Miscellaneous	16,567	16,567	3,422	(13,145)
Total Miscellaneous	34,178	34,178	25,683	(8,495)
Total Revenues	$ 3,336,097	$ 3,586,609	$ 3,851,599	$ 264,990

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

	Budget Amounts			Variance Positive
	Original	Final	Actual	(Negative)
Current:				
General Government:				
Administrative	$ 386,228	$ 389,778	$ 389,778	$ -
Executive	149,998	227,491	227,491	-
Municipal Court	237,328	268,164	268,164	-
Library	-	1,981	1,981	-
Planning and zoning	129,422	129,422	122,058	7,364
Public Safety:				
Police department	1,505,826	1,581,995	1,581,995	-
Fire department	241,114	248,884	248,884	-
Marshal	192,972	192,972	189,313	3,659
Public Works:				
Street	183,383	266,451	266,451	-
Public works administration	242,903	242,903	238,010	4,893
Economic Development:				
Byron Development Authority	-	4,730	4,730	-
Total expenditures	3,269,174	3,554,771	3,538,855	15,916
Excess (Deficiency) of Revenues Over (Under) Expenditures	66,923	31,838	312,744	280,906
Other Financing Sources (Uses):				
Transfer from:				
Hotel motel tax fund	100,894	124,745	124,745	-
Solid waste fund	25,329	25,329	25,329	-
Water and sewerage fund	265,950	265,950	265,950	-
Transfers to:				
Debt service fund	(380,096)	(380,096)	(368,930)	11,166
Capital improvements fund	(79,000)	(79,000)	(79,000)	-
Total Other Financing Sources (Uses)	(66,923)	(43,072)	(31,906)	11,166
Net change in fund balances	-	(11,234)	280,838	292,072
Fund Balance - Beginning of year	-	11,234	2,305,591	2,294,357
Fund Balance - End of year	$ -	$ -	$ 2,586,429	$ 2,586,429

The accompanying notes are an integral part of the statements.

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CITY OF BYRON, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds			
			Nonmajor	
	Water and Sewerage Fund	Natural Gas Fund	Solid Waste Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,059,169	$ 426,312	$ 29,994	$ 1,515,475
Certificates of deposit	142,283	-	-	142,283
Restricted cash and cash equivalents:				
Revenue bond covenant accounts	21,116	-	-	21,116
Accounts receivable (Net of allowance for uncollectible)	71,154	1,196	38,596	110,946
Due from Jointly Owned Natural Gas	-	46,136	-	46,136
Due from other governments	18,407	-	-	18,407
Due from other funds	669,630	-	6,312	675,942
Total current assets	1,981,759	473,644	74,902	2,530,305
Noncurrent assets:				
Investment in Jointly Owned Natural Gas	-	169,747	-	169,747
Capital assets:				
Nondepreciable	4,552,052	-	-	4,552,052
Depreciable	4,063,371	-	-	4,063,371
Total noncurrent assets	8,615,423	169,747	-	8,785,170
Total Assets	10,597,182	643,391	74,902	11,315,475

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011
(CONTINUED)

	Business-type Activities - Enterprise Funds			
			Nonmajor	
	Water and Sewerage Fund	Natural Gas Fund	Solid Waste Fund	Total
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 32,209	$ 43,853	$ 29,945	$ 106,007
Accrued interest payable	4,324	-	-	4,324
Customer deposits	137,408	-	-	137,408
Accrued absences - current	9,762	-	-	9,762
Notes payable - current	53,445	-	-	53,445
Revenue bonds payable - current	12,000	-	-	12,000
Total current liabilities	249,148	43,853	29,945	322,946
Noncurrent liabilities:				
Accrued absences	1,723	-	-	1,723
Revenue bonds payable	70,000	-	-	70,000
Notes payable	1,199,585	-	-	1,199,585
Total noncurrent liabilities	1,271,308	-	-	1,271,308
Total Liabilities	1,520,456	43,853	29,945	1,594,254
Net Assets:				
Invested in capital assets, net of related debt	7,280,393	-	-	7,280,393
Restricted for debt retirement	15,000	-	-	15,000
Unrestricted	1,781,333	599,538	44,957	2,425,828
Total Net Assets	$ 9,076,726	$ 599,538	$ 44,957	$ 9,721,221

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds			
			Nonmajor	
	Water and Sewerage Fund	Natural Gas Fund	Solid Waste Fund	Total
Operating Revenues:				
Charges and fees	$ 1,362,064	$ 396,259	$ 241,631	$ 1,999,954
Penalties	40,027	-	-	40,027
Other	800	12,453	125	13,378
Total Operating Revenues	1,402,891	408,712	241,756	2,053,359
Operating Expenses:				
Salaries and benefits	324,641	-	34,447	359,088
Utilities	180,427	378,691	-	559,118
Maintenance and repairs	55,032	-	2,277	57,309
Operating materials	52,146	-	1,318	53,464
Contractual charges	-	-	177,469	177,469
Other operating expenses	145,227	-	13,266	158,493
Depreciation	215,609	-	-	215,609
Total Operating Expenses	973,082	378,691	228,777	1,580,550
Operating Income (Loss)	429,809	30,021	12,979	472,809
Nonoperating Revenues (Expenses):				
Interest revenue	5,572	1,858	24	7,454
Net income from joint venture	-	13,228	-	13,228
Interest expense	(36,771)	-	-	(36,771)
Total Nonoperating Revenues (Expenses)	$ (31,199)	$ 15,086	$ 24	$ (16,089)

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

	Business-type Activities - Enterprise Funds			
			Nonmajor	
	Water and Sewerage Fund	Natural Gas Fund	Solid Waste Fund	Total
Income (loss) before contributions, transfers and special item	$ 398,610	$ 45,107	$ 13,003	$ 456,720
Capital contributions	1,785,884	-	-	1,785,884
Special item	(716,791)	-	-	(716,791)
Transfers (out)	(550,216)	(33,823)	(25,329)	(609,368)
Change in net assets	917,487	11,284	(12,326)	916,445
Net Assets - Beginning of Year	8,159,239	588,254	57,283	8,804,776
Net Assets - End of Year	$ 9,076,726	$ 599,538	$ 44,957	$ 9,721,221

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds			
			Nonmajor	
	Water and Sewerage Fund	Natural Gas Fund	Solid Waste Fund	Total
Cash Flows from Operating Activities:				
Cash received from customers	$ 1,941,158	$ 413,758	$ 235,394	$ 2,590,310
Cash paid to suppliers	(1,089,179)	(481,180)	(203,535)	(1,773,894)
Cash paid to employees	(326,315)	-	(34,447)	(360,762)
Net Cash Provided by (Used for) Operating Activities	525,664	(67,422)	(2,588)	455,654
Cash Flows from Noncapital Financing Activities:				
Transfer to other funds	(550,216)	(33,823)	(25,329)	(609,368)
Net Cash Provided by (Used for) Noncapital Financing Activities	(550,216)	(33,823)	(25,329)	(609,368)
Cash Flows from Capital and Related Financing Activities:				
Principal paid on note	(37,217)	-	-	(37,217)
Interest paid on note	(37,059)	-	-	(37,059)
Acquisition and construction of capital assets	(893,743)	-	-	(893,743)
Principal paid on revenue bonds	(12,000)	-	-	(12,000)
Proceeds from note	583,414	-	-	583,414
Net Cash Provided by (Used for) Capital and Related Financing Activities	$ (396,605)	$ -	$ -	$ (396,605)

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

	Business-type Activities - Enterprise Funds			
			Nonmajor	
	Water and Sewerage Fund	Natural Gas Fund	Solid Waste Fund	Total
Cash Flows from Investing Activities:				
Purchase of investments	$ (1,082)	$ -	$ -	$ (1,082)
Net income from JONG	-	13,228	-	13,228
Interest earnings	5,572	1,858	24	7,454
Net Cash Provided by (Used for) Investing Activities	4,490	15,086	24	19,600
Net Increase (Decrease) in Cash and Cash Equivalents	(416,667)	(86,159)	(27,893)	(530,719)
Cash and Cash Equivalents at Beginning of Year	1,496,952	512,471	57,887	2,067,310
Cash and Cash Equivalents at End of Year	$ 1,080,285	$ 426,312	$ 29,994	$ 1,536,591
Classified as:				
Current assets	$ 1,059,169	$ 426,312	$ 29,994	$ 1,515,475
Restricted assets	21,116	-	-	21,116
Total Cash and Cash Equivalents	$ 1,080,285	$ 426,312	$ 29,994	$ 1,536,591

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

	Business-type Activities - Enterprise Funds			
			Nonmajor	
	Water and Sewerage Fund	Natural Gas Fund	Solid Waste Fund	Total
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:				
Net operating income	$ 429,809	$ 30,021	$ 12,979	$ 472,809
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	215,609	-	-	215,609
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable	10,846	18,274	(6,362)	22,758
(Increase) decrease in due from other governments	527,421	-	-	527,421
(Increase) decrease in due from other funds	(168,735)	6,092	-	(162,643)
(Increase) decrease in investment in JONG	-	(13,228)	-	(13,228)
Increase (decrease) in accounts payable	(474,462)	(8,549)	14,999	(468,012)
Increase (decrease) in accrued vacation absences	(1,674)	-	-	(1,674)
Increase (decrease) in due to other funds	(13,150)	(100,032)	(24,204)	(137,386)
Total Adjustments	95,855	(97,443)	(15,567)	(17,155)
Net Cash Provided by (Used for) Operating Activities	$ 525,664	$ (67,422)	$ (2,588)	$ 455,654
Noncash Investing, Capital, Financing Activities:				
Contributions of capital assets from government	$ 1,785,884	$ -	$ -	$ 1,785,884
Special item	(716,791)	-	-	(716,791)
Total Noncash Investing, Capital, Financing Activities	$ 1,069,093	$ -	$ -	$ 1,069,093

The accompanying notes are an integral part of the statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Byron was incorporated in 1874 under the provision of an Act of the General Assembly of Georgia. The City operates under a mayor-council form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, recreation and general administrative services.

The accounting policies of the City of Byron conform to generally accepted accounting principles as applicable to governments. The following is a summary of the City's more significant policies applied in the preparation of the accompanying financial statements.

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Byron, Georgia (primary government) and any component units. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. In conformity with generally accepted accounting principles, as set forth in Statement of Governmental Accounting Standards No. 14, *The Financial Reporting Entity*, the financial statements of the component unit have been included as a discretely presented component unit.

Blended Component Unit

The City of Byron Redevelopment Authority (the "Authority") was created April 11, 1979 to promote projects in connection with the redevelopment or revitalization of urban, central city or downtown areas for the public good and welfare of the City of Byron, Georgia. The governing board of the Authority is appointed by City Council for a three-year term. The Authority is presented as a debt service fund. The Redevelopment Authority does not issue separate financial statements.

Discretely Presented Component Units

The City of Byron Development Authority (the "Authority") was formed in 1998 to promote and expand industry, welfare and trade for the public good and welfare of the City of Byron, Georgia. The governing board of the Authority is appointed by City Council for a four-year term. The Development Authority is audited along with the primary government financial statements and separate financial statements are not prepared.

The City of Byron Downtown Development Authority was inactive and had no assets or liabilities as of December 31, 2011.

Under Georgia law, the City, in conjunction with other cities and counties in the middle Georgia area, is a member of the Middle Georgia Regional Commission (RC) and is required to pay annual dues thereto. Membership in a RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational 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 a RC. Separate financial statements may be obtained from:

Middle Georgia Regional Commission
175-C Emery Highway
Macon, Georgia 31217

Related Organizations

The Housing Authority of the City of Byron, Georgia, is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of members appointed originally by the City of Byron, Georgia. The City of Byron, Georgia is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Byron, Georgia is a related organization.

The City of Byron Georgia joined the Jointly Owned Natural Gas (JONG) in November 2008. The JONG was established to provide maintenance and related services for a natural gas transmission line serving the cities of Perry, Warner Robins, Hawkinsville, Cochran and their customers. A board of directors, composed of one member from each of the cities, manages the JONG. The JONG's major source of revenue consists of reimbursements for operating expense and capital outlays from member cities. JONG's financial records are maintained on a fiscal year ending September 30 of each year. A separately issued financial report is available and may be obtained from:

Jointly Owned Natural Gas
P.O. Box 1545
Warner Robins, GA 31099

As of December 31, 2011, the City has an approximate 10 percent equity interest in the JONG. This equity interest is recorded in the proprietary funds statement of net assets.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are reported as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The government reports the following major governmental funds:

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

Special Purpose Local Option Sales Tax (SPLOST) 2008 – The Construction Fund accounts for the proceeds of a bond issued by Peach County, Georgia and the related capital expenditures.

Special Purpose Local Option Sales Tax (SPLOST) 2000 – The SPLOST Fund accounts for capital expenditures paid with the special purpose local option sales tax. The SPLOST 2000 Fund was called SPLOST 1999 in previous audit reports. The fund was renamed to conform to the reporting of the County.

The government reports the following major proprietary funds:

Water & Sewer – The Water and Sewer Fund accounts for the activities of the water and sewer distributions system.

Natural Gas – The Natural Gas Fund accounts for the activities of the natural gas distribution system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally designated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund, Natural Gas Fund and Solid Waste Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to used restricted resources first then unrestricted resources, as they are needed.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for its proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, APB opinions, and ARBS.

D. Deposits and Investments

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

E. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

F. Other Receivables

All trade and property tax receivables are shown net of an allowance for doubtful accounts. The allowance is determined based upon prior experience.

G. Inventory

Inventories of expendable supplies held for consumption are not considered material and are recorded as expenditures, or expenses, as appropriate, when purchased.

H. Restricted Assets

Certain assets of the enterprise funds are classified as restricted assets because their use is restricted by bond covenants.

I. 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 governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more

than $5,000 and an estimated useful life in excess of two years. Such assets are valued at cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair market value on the date donated.

General infrastructure assets acquired prior to January 1, 2004 are not reported in the basic financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

	Estimated Lives	
Asset Class	Governmental Activities	Business-type Activities
Buildings and improvements	5-30 years	n/a
Infrastructure	30 years	30 years
Equipment, vehicles, intangibles	5-10 years	5-10 years
Distribution system	n/a	10-50 years

J. Deferred Revenue

The City of Byron reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City of Byron before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City of Byron has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

K. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or

discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Fund Equity

In the financial statements, governmental funds report the following classifications of fund balance in accordance with Governmental Accounting Standards Board Statement No. 54:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – amounts are restricted when constraints have been placed on the use of resources by (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Council. The Council approves committed resources through a motion and vote during the voting session of Council meetings.
- Assigned – amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The intent is expressed by the Council.
- Unassigned – amounts that have not been assigned to other funds and that are not restricted, committed or assigned to specific purposes within the General Fund.

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

- Committed
- Assigned
- Unassigned

The City does not have a formal minimum fund balance policy. The following is a summary of the fund balance classifications as of December 31, 2011:

	General Fund	SPLOST 2008	SPLOST 2000	Nonmajor Governmental	Total
Fund Balances					
Restricted for:					
Capital outlay	-	1,522,139	-	697,356	2,219,495
Debt service	-	-	-	108	108
Public safety	-	-	-	12,385	12,385
Donations-utility payments	24,187	-	-	-	24,187
Assigned:					
Capital outlay	-	-	-	553,358	553,358
Public safety	43,417	-	-	-	43,417
Unassigned	2,518,825	-	(211,354)	-	2,307,471
Total fund balances	$ 2,586,429	$ 1,522,139	$ (211,354)	$ 1,263,207	$ 5,160,421

M. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions. The City purchases commercial insurance for these types of risk. For these risks, settlements have not exceeded coverage for the past three years. The City had no significant reduction in insurance coverage from coverage in the prior year.

N. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption methods of reporting an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved, as this amount is not available for general appropriation.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. Budget Process

An annual operating budget is prepared for the General Fund and the Special Revenue Funds. Budgets are prepared for the Capital Projects Funds on a project-length basis, which usually covers two or more fiscal years. The budget officer formulates and remits the budget to the Mayor and Council. After a review by the Mayor and Council and public hearing, a final budget is approved when the budget resolution is adopted.

The City Clerk is delegated the authority, upon the direction of and approval by the Mayor and Council to transfer sums from one budget line item to another. No increase in the overall budget for the City may be made without the approval of the Mayor and Council and amendment to the budget.

The legal level of budgetary control is the department level. The council made supplemental budgetary appropriations throughout the year, which were not considered material.

All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual has been prepared on the basis described above.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City. Budget to Generally Accepted Accounting Principal Basis reconciliations are not required.

C. Deficit Fund Equity

The SPLOST 2000 capital projects fund had a deficit fund balance of $211,354. The fund incurred expenditures prior to the receipt of special local option sales taxes. In 2011, the intergovernmental agreement was modified to provide the City with additional funds. The City plans to eliminate this deficit fund balance with future special local option sales taxes.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Custodial Credit Risk - Deposits

The custodial credit risk for deposits is the risk that in the event of the failure of the bank, the government will not be able to recover deposits. The City's bank balances of deposits as of December 31, 2011 are entirely insured or collateralized with securities held by the City's agent in the City's name. State statues require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

The Byron Development Authority, a discretely presented component unit, bank balances of deposits as of December 31, 2011 are entirely insured or collateralized with securities held by the Authority's agent in the Authority's name. State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

B. Investments

Custodial credit risk. For an investment, the custodial risk is the risk that in the event of the failure of the counter-party to a transaction, an entity will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. The City had no such investments with such risk as of December 31, 2011.

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. Georgia law allows investments in obligations of the U.S. Treasury, other U.S. Governmental Agencies, State of Georgia, other states, prime banker's acceptance, repurchase agreements, other political subdivisions of Georgia.

NOTE 4 – TAX REVENUE

A. Property Taxes

State law requires that property taxes be based on assessed value, which is 40% of market value. All real and personal property (including motor vehicles) are valued as of January 1 of each year and must be returned for tax purposes by March 1. With the exception of motor vehicles and the property of public utilities, which are valued by the State Revenue Department, all assessments are made by a joint Board of Tax Assessors of Peach County.

Upon completion of all assessments and tax returns, the information is turned over to the Peach County Tax Commissioner for compilation of the tax digest. The completed tax digest must be submitted to the State Revenue Commissioner for approval. The State Revenue Commissioner must ascertain that real property on the tax digest has been assessed at the state mandated forty percent (40%) of fair market value. The Commissioner has the option to withhold certain state funding if the mandated 40% level is not reached.

The property tax calendar is as follows:

	Real/Personal Property (Excluding Vehicles)	Motor Vehicles
Assessment date	January 1	January 1
Levy date	November 18	January 1
Due date and collection date	January 17	Staggered

B. Hotel/Motel Excise Tax

A summary of the hotel/motel excise tax expenditures and receipts for the year ended December 31, 2011, are as follows:

Expenditures by Purpose	Amount	Hotel/Motel Tax Receipts	Percentage
Convention & Visitors Bureau	$ 83,164	$ 207,909	40%
General fund	124,745	207,909	60%

NOTE 5 – OTHER RECEIVABLES

Receivables have been reduced to their estimated net realizable value, based upon historical experience rates. Receivables at December 31, 2011, consist of the following:

	General Fund	Water Sewerage	Natural Gas	Nonmajor Enterprise Fund	Nonmajor Governmental Funds	Total
Receivables:						
Taxes	$ 1,372,926	$ -	$ -	$ -	$ 22,067	$ 1,394,993
Accounts	-	141,256	23,319	77,193	-	241,768
Gross Receivables	1,372,926	141,256	23,319	77,193	22,067	1,636,761
Less: Allowance for uncollectibles	(362,948)	(70,102)	(22,123)	(38,597)	-	(493,770)
Net Total Receivables	$ 1,009,978	$ 71,154	$ 1,196	$ 38,596	$ 22,067	$ 1,142,991

NOTE 6 – DUE FROM OTHER GOVERNMENTS

The General Fund reflects $29,239 in Due from Other Governments, which represents local option sales tax due from the Georgia Department of Revenue.

The Water and Sewerage Fund reflects $18,407 in Due from Other Governments, which represents grant funds due from the Georgia Environmental Facilities Authority (GEFA).

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The interfund receivables and payables at December 31, 2011, were as follows:

Receivable Fund	Payable Fund	Amount
General	SPLOST 2000	$ 260,043
	Nonmajor Governmental	80,902
Water and Sewerage	General	624,235
	Nonmajor Governmental	45,395
Nonmajor Enterprise	General	6,312
Total		$ 1,016,887

The outstanding balances between funds result mainly 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.

A reconciliation of transfers is as follows:

	Transfer In:			
Transfer out:	General Fund	SPLOST 2000	Nonmajor Governmental	Total
General Fund	$ -	$ -	$ 447,930	$ 447,930
Water and Sewerage	265,950	284,266	-	550,216
Natural Gas Fund	-	-	33,823	33,823
Nonmajor Enterprise	25,329	-	-	25,329
Nonmajor Governmental	124,745	-	-	124,745
Total	$ 416,024	$ 284,266	$ 481,753	$ 1,182,043

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

Primary Government

	Balance January 1, 2011	Increases	Decreases	Balance December 31, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 646,092	$ -	$ -	$ 646,092
Construction in progress	1,097,004	145,325	-	1,242,329
Capital assets, being depreciated:				
Infrastructure	5,561,607	-	-	5,561,607
Buildings and improvements	6,723,881	-	-	6,723,881
Vehicles	855,526	65,247	-	920,773
Intangible	84,262	-	-	84,262
Machinery and equipment	654,096	53,945	-	708,041
Total capital assets	15,622,468	264,517	-	15,886,985
Less: accumulated depreciation				
Infrastructure	(631,640)	(185,387)	-	(817,027)
Buildings and improvements	(1,357,182)	(198,039)	-	(1,555,221)
Vehicles	(647,844)	(75,968)	-	(723,812)
Intangible	(27,877)	(16,852)	-	(44,729)
Machinery and equipment	(660,228)	(35,275)	-	(695,503)
Total accumulated depreciation	(3,324,771)	(511,521)	-	(3,836,292)
Governmental activities capital assets, net	$ 12,297,697	$ (247,004)	$ -	$ 12,050,693

The following is a summary of proprietary fund-type capital assets at December 31, 2011:

	Balance January 1, 2011	Increases	Decreases	Balance December 31, 2011
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 156,769	$ -	$ -	$ 156,769
Construction in progress	2,522,056	2,590,018	(716,791)	4,395,283
Capital assets, being depreciated:				
Distribution system	7,106,527	75,000	-	7,181,527
Equipment and vehicles	865,750	14,609	-	880,359
Total capital assets	10,651,102	2,679,627	(716,791)	12,613,938
Less: accumulated depreciation				
Distribution system	(3,071,578)	(210,337)	-	(3,281,915)
Equipment and vehicles	(711,328)	(5,272)	-	(716,600)
Total accumulated depreciation	(3,782,906)	(215,609)	-	(3,998,515)
Business-type activities capital assets, net	$ 6,868,196	$ 2,464,018	$ (716,791)	$ 8,615,423

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

Governmental activities:	
General government	$ 235,762
Public safety	96,966
Public works	178,793
Total	$ 511,521
Business-type activities:	
Water and sewerage	$ 215,609

See special item in note 15 for an explanation of the decrease in construction in progress of $716,791.

Discretely presented component unit

Activity for the Development Authority for the year ended December 31, 2011, was as follows:

	Balance January 1, 2011	Increases	Decreases	Balance December 31, 2011
Capital assets, not being depreciated:				
Land	$ 1,007,284	$ -	$ -	$ 1,007,284
Construction in progress	-	1,136,171	-	1,136,171
Total capital assets	$ 1,007,284	$ 1,136,171	$ -	$ 2,143,455

NOTE 9 – LONG-TERM DEBT

Revenue Bonds

The City has one series of Revenue Bonds issued in the amount of $282,000 at an interest rate of 5% in the Water and Sewerage Fund:

	Water and Sewerage Fund
Principal Outstanding December 31, 2011	$ 82,000
Interest rate	5%
Interest Payable on	June 1st and December 1st
Principal Payable on	December 1st

The bonds are secured by a pledge of the revenues from the operation of the City's Water and Sewerage fund subject to payment of the reasonable and necessary costs of operating and maintaining the fund's facilities and systems.

The bonds were issued to provide funds to finance, in whole or in part, the cost of adding to, extending, improving and equipping the City's water and sewerage system, acquiring the necessary property and to pay related expenses.

The bond ordinances require that all revenues arising from the operations of the systems be deposited into the system revenue accounts and disbursed in the following manners and order:

1. Payment of reasonable and necessary costs of operating, maintaining and repairing the system into the operations and maintenance account. The ordinance also allows the City to maintain in reserve an amount equal to thirty days working capital.

2. Payment on or before the 15th of the month an amount equal to one-sixth of the interest payable on the next ensuing interest payment date and an amount equal to one-twelfth of the principal payable on the next ensuing principal payment date.

3. Payments into the Renewal and Extension of all remaining funds.

4. Revenue bond debt service to maturity is as follows:

	Principal	Interest
2012	$ 12,000	$ 4,100
2013	12,000	3,500
2014	14,000	2,900
2015	14,000	2,200
2016	14,000	1,500
2017	16,000	800
Total	$ 82,000	$ 15,000

Notes Payable

On February 27, 2001, the City entered into a contract with the Georgia Environmental Facilities Authority to provide financing for the improvement of its sewerage treatment facilities. The total proceeds for the loan were $497,333. The loan is to be paid over a twenty-year period starting November 1, 2002, on a quarterly basis. Interest is at 5.15%.

On September 26, 2007, the City entered into a contract with the Georgia Environmental Facilities Authority to provide financing to purchase a sewer lift station from Fort Valley. The total proceeds for the loan were $394,646. The loan is to be paid over a twenty year period starting November 1, 2007, on a monthly basis. Interest is at 4.2%.

On October 8, 2009, the City entered into a contract with the Georgia Environmental Facilities Authority for a Clean Water State Revolving Loan Fund grant/loan to provide financing for acquiring, constructing, and installing environmental facilities. The City may draw down funds up to $2,720,820, of which 70% is forgivable. As of December 31, 2011, $2,387,095 has been drawn down. $583,414 is the loan portion and is payable to Georgia Environmental Facilities Authority. Interest is accrued monthly at 3.0%. Principal payments will begin after the final draw has been made.

The annual requirements to amortize the three notes at December 31, 2011, are as follows:

	2001 GEFA Loan		2007 GEFA Loan		(estimated) 2009 GEFA Loan	
	Interest	Principal	Interest	Principal	Interest	Principal
2012	$ 16,765	$ 23,215	$ 13,788	$ 15,809	$ 11,543	$ 14,421
2013	15,546	24,434	13,111	16,486	16,766	22,179
2014	14,264	25,716	12,405	17,192	16,092	22,854
2015	12,913	27,067	11,669	17,928	15,397	23,549
2016	11,492	28,488	10,901	18,696	14,680	24,265
2017-2021	33,392	166,507	35,248	106,194	61,872	132,857
2022-2026	1,254	38,724	23,562	130,962	40,400	154,329
2027-2031	-	-	128	12,198	15,457	179,272
2032	-	-	-	-	48	9,688
Total	$ 105,626	$ 334,151	$ 120,812	$ 335,465	$ 192,255	$ 583,414

Blended component unit

Revenue Bonds

In 2007, the Redevelopment Authority issued $5,070,000 of revenue bonds to finance the construction of the new municipal complex. Revenue bonds outstanding at year end are $4,725,000 with an interest rate that varies from 3.35% to 4.25%. Principal and interest payments are payable on November 1st. The maturity date of the revenue bonds is November 1, 2029.

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest
2012	$ 185,000	$ 188,009
2013	190,000	181,626
2014	195,000	174,976
2015	205,000	167,976
2016	210,000	160,472
2017-2021	1,200,000	674,213
2022-2026	1,480,000	413,285
2027-2029	1,060,000	91,207
Total	$ 4,725,000	$ 2,051,764

Changes in Long-Term Obligations

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2011:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Long-term debt					
Compensated absences	$ 83,201	$ 66,726	$ (70,294)	$ 79,633	$ 67,688
Redevelopment Authority:					
Bonds payable	4,900,000	-	(175,000)	4,725,000	185,000
Less: deferred amounts					
Discount on bonds	(30,420)	-	1,900	(28,520)	-
Total Long-term debt	$ 4,952,781	$ 66,726	$ (243,394)	$ 4,776,113	$ 252,688

For the governmental activities, compensated absences are generally liquidated by the General Fund.

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Business-type Activities:					
Long-term debt					
Revenue bonds	$ 94,000	$ -	$ (12,000)	$ 82,000	$ 12,000
GEFA loan 2001	356,208	-	(22,057)	334,151	23,215
GEFA loan 2007	350,625	-	(15,160)	335,465	15,809
GEFA loan 2009	-	583,414	-	583,414	14,421
Compensated absences	13,158	11,994	(13,667)	11,485	9,762
Total Long-term debt	$ 813,991	$ 595,408	$ (62,884)	$ 1,346,515	$ 75,207

Discretely Presented Component Unit

In 2010, the Development Authority obtained a $225,000 line of credit with Certus Bank to help cover the cost of the development of 40.15 acres in Peach County, known as the Holleman Tract, The Roost. $200,000 has been drawn down on the line of credit as of December 31, 2011.

NOTE 10 – RESTRICTED ASSETS

The balances of the restricted asset accounts in the enterprise funds are as follows:

Water and Sewerage Fund	
Revenue bond debt service account	$ 21,116

NOTE 11 – PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Byron Retirement Plan, (the Plan) provides retirement, disability and death benefits to plan members and beneficiaries. These retirement provisions were established by an adoption agreement executed by City Council. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS) an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Georgia Municipal Association issues a publicly available financial report on GMEBS that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, Atlanta, Georgia 30303-3606.

Significant Accounting Policies

Basis of Accounting. The City of Byron financial statements are prepared using the modified accrual basis. Employer contributions are recognized in the period that the contributions are due.

Funding Policy

The plan members are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate; the current rate is 18.33% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

There were no changes in methods or assumptions from the prior valuation.

Annual Pension Cost

For the plan year, the City's annual pension cost of $322,023 was equal to the City's required and actual contributions.

The City's annual pension cost and net pension obligation (asset) for the pension plan for the current year were determined as follows:

Normal cost	$ 322,023
Payment on unfunded actuarial accrued liability	-
Annual pension cost	322,023
Contributions	(322,023)
Increase in pension obligation (asset)	-
Net pension obligation (asset) 12/31/10	-
Net pension obligation (asset) 12/31/11	$ -

Three-Year Trend Information for the Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2011	$ 322,023	100%	$ -
2010	424,136	100%	-
2009	312,319	100%	-

The required contribution was determined as part of the July 1, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.5% plus age and service based merit increases and (c) 3.5% for participants hired prior to 4/1/92 and 3.0 for participants hired on or after 4/1/92. The Plan's unfunded actuarial accrued liability is being amortized (closed level dollar method) over 30 years from 1982 and changes in the unfunded actuarial accrued liabilities over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods.

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
7/1/2011	$ 5,739,743	$ 6,433,536	$ 693,793	89.22%	$ 1,767,653	39.25%

The schedule of funding progress, presented as RSI following the notes to the financial statements, 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.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2011.

Additional Information

Additional information as of the latest actuarial valuation follows:

Valuation date	7/1/2011
Actuarial cost method	projected unit credit
Amortization method	closed level dollar for remaining unfunded liability
Remaining amortization period	remaining amortization period varies for the bases, with a net effective amortization period of 10 years.
Asset valuation method	Sum of actuarial value at beginning of year and the cash flows during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% market value for 2012, 26% market value for 2013, and 20% market value for 2014 and later years.
Actuarial Assumptions:	
Investment rate of return	7.75%
Projected salaries increases	3.50% plus age and service based merit increases
COLAs	3.50% for participants hired prior to 4/1/92 3.00% for participants hired on or after 4/1/92
Membership of the plan:	
Retirees and beneficiaries receiving benefits	14
Terminated plan members entitled to, but not yet receiving benefits	14
Active plan members	53
Total	81

NOTE 12 – POST-EMPLOYMENT BENEFITS

In accordance with City resolution, the City provides life insurance in the amount of $7,500 to retired employees. Currently, 6 retirees participate in the life insurance benefits plan. The accounting and funding policies followed by the City are on a pay-as-you-go basis. For 2011, the cost of retirees' life insurance benefits was $181. The amounts associated with the plan are immaterial to the financial statements and accordingly, the City has elected not to implement Governmental Accounting Standards Board Statement 43, "Financial Reporting for Postretirement Benefit Plans Other Than Pension Plans".

NOTE 13 – CONTINGENT LIABILITIES

Litigation

During the course of normal operations of the City, various claims and lawsuits arise. The City attorney has advised that there are no potential liabilities that will impair the City's financial position as of the date of this audit report.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 14 – SUBSEQUENT EVENTS

On January 23, 2012, the City entered into a settlement agreement and paid $100,000 to Contech Bridge Solutions, Inc. for settlement on a claim for a project with Peach Hill Properties to construct a roadway and a bridge.

NOTE 15 – SPECIAL ITEM

A special item in the amount of $716,791 is reported in the Water and Sewerage Fund for a construction project that has been abandoned. The original construction project included engineering costs for a new wastewater treatment facility. The City entered into an agreement with the Macon Water Authority for wastewater treatment in lieu of constructing a new wastewater treatment facility..

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BYRON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011

GEORGIA MUNICIPAL EMPLOYEES BENEFIT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded/ (Assets in Excess of) AAL (b-a)	Covered Payroll (c)	Unfunded/ (Assets in Excess of) AAL as a Percentage of Covered Payroll {(b-a)/c}
7/1/2011	$ 5,739,743	$ 6,433,536	89.22%	$ 693,793	$ 1,767,653	39.25%
7/1/2010	5,369,881	6,207,269	86.51%	837,388	1,727,283	48.48%
7/1/2009	4,086,155	5,975,909	68.38%	1,889,754	1,680,118	112.48%
7/1/2008	5,429,900	5,649,122	96.12%	219,222	1,635,364	13.41%
7/1/2007	5,163,945	5,226,411	98.80%	62,466	1,559,030	4.01%
7/1/2006	4,868,177	4,953,989	98.27%	85,812	1,422,534	6.03%

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Law Enforcement Confiscation Fund – This fund is used to account for funds confiscated from criminal activity and their expenditures in compliance with State and Federal laws.

Hotel/Motel Tax Fund – This fund is used to account for funds collected from the hotel/motel tax and disbursed to other governmental agencies.

Debt Service Fund

Debt service funds account for the accumulation of resources for the principle payment, interest and related costs of long-term debt.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

Special Purpose Local Option Sales Tax (SPLOST) 1994 Fund – This fund is used to account for capital expenditures paid with the special purpose local option sales tax.

Special Purpose Local Option Sales Tax (SPLOST) 2004 Fund – This fund is used to account for capital expenditures paid with the special purpose local option sales tax.

Capital Improvements Fund – This fund is used to account for the purchase or construction of major capital facilities or equipment for the City.

CITY OF BYRON, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Special Revenue Funds			Capital Projects Funds			Total
	Law Enforcement Confiscation	Hotel/Motel Tax Fund	Debt Service Fund	SPLOST 1994	SPLOST 2004	Capital Improvements	Nonmajor Governmental Funds
ASSETS							
Cash and cash equivalents	$ 12,908	$ 80,213	$ 108	$ 11,660	$ 731,091	$ 448,866	$ 1,284,846
Certificates of deposit	-	-	-	-	-	116,159	116,159
Receivables, net of allowance							
Taxes	-	22,067	-	-	-	-	22,067
Total Assets	$ 12,908	$ 102,280	$ 108	$ 11,660	$ 731,091	$ 565,025	$ 1,423,072
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 523	$ 26,899	$ -	$ -	$ -	$ -	$ 27,422
Due to other funds	-	69,235	-	4,855	40,540	11,667	126,297
Deferred revenue	-	6,146	-	-	-	-	6,146
Total Liabilities	523	102,280	-	4,855	40,540	11,667	159,865
Fund Balances:							
Restricted	12,385	-	108	6,805	690,551	-	709,849
Assigned	-	-	-	-	-	553,358	553,358
Total Fund Balances	12,385	-	108	6,805	690,551	553,358	1,263,207
Total Liabilities and Fund Balances	$ 12,908	$ 102,280	$ 108	$ 11,660	$ 731,091	$ 565,025	$ 1,423,072

CITY OF BYRON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue Funds			Capital Projects Funds			Total
	Law Enforcement Confiscation	Hotel/Motel Tax Fund	Debt Service Fund	SPLOST 1994	SPLOST 2004	Capital Improvements	Nonmajor Governmental Funds
Revenues:							
Taxes							
Other taxes	$ -	$ 207,909	$ -	$ -	$ -	$ -	$ 207,909
Fines	2,809	-	-	-	-	-	2,809
Investment earnings	31	-	3	18	3,219	2,188	5,459
Total Revenues	2,840	207,909	3	18	3,219	2,188	216,177
Expenditures:							
Current:							
General government	-	83,164	-	-	-	-	83,164
Public safety	7,961	-	-	-	-	-	7,961
Intergovernmental	281	-	-	-	-	-	281
Debt Service:							
Principal	-	-	175,000	-	-	-	175,000
Interest	-	-	193,959	-	-	-	193,959
Capital Outlay	-	-	-	-	-	43,212	43,212
Total Expenditures	8,242	83,164	368,959	-	-	43,212	503,577
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,402)	124,745	(368,956)	18	3,219	(41,024)	(287,400)
Other Financing Sources (Uses):							
Transfers from other funds	-	-	368,930	-	-	112,823	481,753
Transfers to other funds	-	(124,745)	-	-	-	-	(124,745)
Total other financing sources (uses)	-	(124,745)	368,930	-	-	112,823	357,008
Net change in fund balances	(5,402)	-	(26)	18	3,219	71,799	69,608
Fund Balance - Beginning of year	17,787	-	134	6,787	687,332	481,559	1,193,599
Fund Balance - End of year	$ 12,385	$ -	$ 108	$ 6,805	$ 690,551	$ 553,358	$ 1,263,207

CITY OF BYRON, GEORGIA

LAW ENFORCEMENT CONFISCATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Fines and forfeitures	$ 2,809	$ 2,809	$ -
Interest income	31	31	-
Total Revenues	2,840	2,840	-
Expenditures:			
Current:			
Public safety	7,961	7,961	-
Intergovernmental	281	281	-
Total Expenditures	8,242	8,242	-
Net change in fund balances	(5,402)	(5,402)	-
Fund Balance - Beginning of year	5,402	17,787	12,385
Fund Balance - End of year	$ -	$ 12,385	$ 12,385

CITY OF BYRON, GEORGIA

HOTEL MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Hotel Motel Tax	$ 207,909	$ 207,909	$ -
Total Revenues	207,909	207,909	-
Expenditures:			
Current:			
Convention and Visitors Bureau	83,164	83,164	-
Total Expenditures	83,164	83,164	-
Excess of Revenues Over (Under) Expenditures	124,745	124,745	-
Other Financing Sources (Uses):			
Transfers to General Fund	(124,745)	(124,745)	-
Total Other Financing Sources (Uses)	(124,745)	(124,745)	-
Net change in fund balances	-	-	-
Fund Balance - Beginning of year	-	-	-
Fund Balance - End of year	$ -	$ -	$ -

CITY OF BYRON, GEORGIA

DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest income	$ -	$ 3	$ 3
Total Revenues	-	3	3
Expenditures:			
Debt Service:			
Principal	175,000	175,000	-
Interest	193,959	193,959	-
Total Expenditures	368,959	368,959	-
Excess (deficiency) of revenues over (under) expenditures	(368,959)	(368,956)	3
Other Financing Sources (Uses):			
Transfers from General Fund	368,930	368,930	-
Total Other Financing Sources (Uses)	368,930	368,930	-
Net change in fund balances	(29)	(26)	3
Fund Balance - Beginning of year	-	134	134
Fund Balance - End of year	$ (29)	$ 108	$ 137

CITY OF BYRON, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
Special Local Option Sales Tax 1994						
Water System Improvements	$ 1,225,000	$ 1,225,000	$ 1,731,041	$ -	$ 1,731,041	141%
EDA Projects	1,050,000	1,050,000	1,050,000	-	1,050,000	100%
Total Expenditures	$ 2,275,000	$ 2,275,000	$ 2,781,041	$ -	$ 2,781,041	N/A
Special Local Option Sales Tax 2000 (note 1)						
Roads, Streets and Bridges	$ 250,000	$ 250,000	$ 330,740	$ -	$ 330,740	132%
Wastewater Collection and Treatment	-	4,200,000	1,198,320	1,444,545	2,642,865	63%
Total Expenditures	$ 250,000	$ 4,450,000	$ 1,529,060	$ 1,444,545	$ 2,973,605	N/A

Note 1: Special Local Option Sales Tax 1999 was renamed Special Local Option Sales Tax 2000. On July 21, 2011, the intergovernmental agreement was amended for the 3rd time bringing the total of the wastewater collection and treatment project to $4,200,000. The City incurred additional expenditures for the wastewater collection project and elected to transfer additional funds from the Water and Sewerage Fund to cover those expenditures.

Special Local Option Sales Tax 2004						
Recreational Facility/ Complex Building	$ 500,000	$ 500,000	$ 519,490	$ -	$ 519,490	104%
Sewer and Water System Improvements	750,000	750,000	146,833	-	146,833	20%
Total Expenditures	$ 1,250,000	$ 1,250,000	$ 666,323	$ -	$ 666,323	N/A
Special Local Option Sales Tax 2008						
Roads, Streets and Bridges	$ 1,566,000	$ 1,566,000	$ 813,701	$ 90,000	$ 903,701	58%
Cultural, Historical and Recreational Facilities	75,000	75,000	15,853	5,352	21,205	28%
Sewer and Water System	1,044,000	1,044,000	46,114	128,408	174,522	17%
Bond Interest and Costs of Issuance	390,000	390,000	-	-	-	0%
Total Expenditures	$ 3,075,000	$ 3,075,000	$ 875,668	$ 223,760	$ 1,099,428	N/A

CITY OF BYRON, GEORGIA

BALANCE SHEET
COMPONENT UNIT - DEVELOPMENT AUTHORITY
DECEMBER 31, 2011

ASSETS		
Cash and cash equivalents	$	86,473
Total Assets	$	86,473
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$	28,714
Total Liabilities		28,714
Fund Balances:		
Unassigned		57,759
Total Fund Balances		57,759

Amounts reported for governmental activities in the Statement of Net Assets differ from amounts reported in the Balance Sheet of Governmental Funds due to the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,143,455
Certain liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the fund.	(200,000)
Net assets of component unit	$ 2,001,214

CITY OF BYRON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
COMPONENT UNIT - DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2011

Revenues:		
Intergovernmental	$	4,730
Investment earnings		3,933
Total Revenues		8,663
Expenditures:		
Capital Outlay		1,136,171
Total Expenditures		1,136,171
Excess (Deficiency) of Revenues Over (Under) Expenditures		(1,127,508)
Other Financing Sources (Uses):		
Proceeds from long term debt issuance		200,000
Total other financing sources (uses)		200,000
Net change in fund balances		(927,508)
Fund Balance - Beginning of year		985,267
Fund Balance - End of year	$	57,759
Net change in fund balances - component unit	$	(927,508)

Amounts reported for governmental activities in the Statement of Activities differ from amounts reported in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances due to the following:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.	
Total capital outlays	1,136,171
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(200,000)
Change in net assets of component unit	$ 8,663

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SINGLE AUDIT SECTION

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CITY OF BYRON, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal/Grantor/Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice			
Direct Programs			
ARRA - COPS	16.710	2009-SD-B9-0089	$ 131,242
Bulletproof Vest Partnership Program	16.607		2,095
Total U.S. Department of Justice			133,337
Environmental Protection Agency			
Passed through Georgia Environmental Finance Authority:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CWSRF 09-003	226,418
Capitalization Grants for Clean Water State Revolving Funds - Loan	66.458	CWSRF 09-003	583,414
Total Environmental Protection Agency			809,832
Total Expenditures of Federal Awards			$ 943,169

The accompanying notes are an integral part of these financial statements

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Byron, Georgia under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Byron, Georgia, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Byron, Georgia.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Measurement Focus

The determination of when an award is expended is based on when the activity related to the award occurs.

Program Type Determination

Type A programs are defined as federal programs with federal expenditures exceeding the larger of $300,000 or three percent of total federal expenditures. The threshold of $300,000 was used in distinguishing between Type A and Type B programs.

Method of Major Program Selection

The risk-based approach was used in the selection of federal programs to be tested as major programs. The City did not qualify as a low-risk auditee for the year ended December 31, 2011.

Amount Provided to Subrecipients

The City of Byron, Georgia had no major programs that provided amounts to subrecipients.

CITY OF BYRON, GEORGIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

FEDERAL AWARD FINDINGS

Findings noted on the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with *OMB Circular A-133:*

NONE REPORTED

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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*

Mayor and City Council
City of Byron
Byron, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Byron, Georgia as of and for the year ended December 31, 2011, which collectively comprise the City of Byron, Georgia's basic financial statements and have issued our report thereon dated September 19, 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

Management of City of Byron, Georgia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Byron, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Byron, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Byron, Georgia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule

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of findings and questioned costs to be material weaknesses. 2009-03, 2011-01, 2011-02, 2011-03, 2011-04, 2011-05, and 2011-06.

Compliance and Other Matters

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

We noted certain matters that we reported to management of City of Byron, Georgia, in a separate letter dated September 19, 2012.

City of Byron, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Byron, Georgia's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, and others within the entity, U.S. Department of Justice, Georgia Environmental Finance Authority, and Environmental Protection Agency and is not intended to be and should not be used by anyone other than these specified parties.

Macon, Georgia
September 19, 2012

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Honorable Mayor and Members
of City Council
City of Byron, Georgia

Compliance

We have audited the City of Byron, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Byron, Georgia's major federal programs for the year ended December 31, 2011. The City of Byron, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Byron, Georgia's management. Our responsibility is to express an opinion on the City of Byron, Georgia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Byron, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Byron, Georgia's compliance with those requirements.

In our opinion, the City of Byron, Georgia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

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Internal Control over Compliance

Management of the City of Byron, Georgia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Byron, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Byron, Georgia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, U.S. Department of Justice, Georgia Environmental Finance Authority, and Environmental Protection Agency and is not intended to be and should not be used by anyone other than these specified parties.

Macon, Georgia
September 19, 2012

CITY OF BYRON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weakness(es)	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
Environmental Protection Agency	
66.458	Sewer Line Rehabilitation

Dollar threshold used to distinguish between Type A and Type B program	$ 300,000
Auditee qualified as low-risk auditee	No

Section II – Financial Statement Findings

Findings noted on the 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*:

2009-03 Subsidiary Records Reconciliation (reiteration of prior year)

CRITERIA
An adequate system of internal controls requires that subsidiary records are reconciled to their general ledger control accounts on a timely basis.

CONDITION
Monthly billing registers and accounts receivable aging reports were not reconciled to the enterprise funds on a monthly basis.

EFFECT
Subsidiary records do not agree with the general ledger control accounts.

CAUSE
The City personnel have not been properly trained on the necessary monthly reconciliation procedures in the enterprise funds.

RECOMMENDATION
We recommend that the City provide the appropriate training to assist personnel in performing monthly reconciliations between the billing reports, accounts receivable aging report and the general ledger and clearly identify any differences that occur each month.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the finding. The City will explore more appropriate training to assist personnel in performing the monthly reconciliation between the billing reports, accounts receivable aging report, and the general ledger. Going forward, reconciliations will be done on a timely basis.

2011-01 Accounts Receivable/Revenue

CRITERIA
Accounting procedures should be designed to insure that revenues are accrued and recognized when they become both measurable and available to finance expenditures of the fiscal period.

CONDITION
Various revenue items were not recorded in the proper fiscal period.

EFFECT
The City produced financial reports, which contained material errors. The audit procedures for 2011 identified the need for a large number of material adjustments to correct accounting records and financial reports. The adjustments are summarized as follows:

- Net material adjustments totaling $62,696 were needed to correct property taxes receivable and $334,028 to correct deferred revenue in the General Fund.
- Adjustments were needed to record current year receivables for the Local Option Sales Taxes of $29,239 and reverse prior year receivables of $24,425.
- An adjustment was needed to reverse prior year grants receivable of $23,189 in the General Fund.
- Adjustments in the Hotel/Motel Tax Fund to reverse prior year receivables of $37,751, record current year receivables of $15,921 and adjust deferred revenue by $19,769. Adjustments were also needed in the Hotel/Motel Tax Fund and the General Fund to record transfers between the two funds in the amount of $17,925.
- A material adjustment in the SPLOST 2000 Fund to record a receivable from Peach County of $417,911.
- Material adjustments in the Water and Sewerage Fund were necessary to record current year grants receivable of $18,407 and reverse prior year grants receivable of $545,828.
- An adjustment in the Natural Gas Fund was necessary to record the current year net income of $13,228 from Jointly Owned Natural Gas. Adjustments were also needed to record current year receivables of $46,136 and reverse prior year receivables of $65,607.

CAUSE
The City does not have adequate accounting procedures in place to insure the accrual of revenues in the proper fiscal year.

RECOMMENDATION
We recommend that the City develop procedures to insure the recording of revenues when they become both measurable and available to finance expenditures of the fiscal period.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with finding. The City's accounting department is more adequately staffed going into year 2012; therefore, the City will implement new procedures for year-end that ensures all receivables will be properly recorded.

2011-02 Accounts Payable/Expenses

CRITERIA
In accordance with generally accepted accounting principles, expenses are recognized as soon as a liability is incurred. Year end procedures are necessary to ensure that expenses or expenditures and accounts payable are recorded in the appropriate period.

CONDITION
The City does not have adequate accounting procedures to insure that expenses are recorded and properly classified when a liability is incurred.

EFFECT
Material audit adjustments were needed to fairly state and classify expenses for the year ended December 31, 2011. A summary of the required adjustments is as follows:

- Adjustments were necessary to record payables of $25,000 in the General Fund and to reverse prior year payables of $7,310.
- Adjustments were necessary to record payables of $8,195 in the Water and Sewerage Fund. A material adjustment was also needed to reverse prior year payables of $497,082
- Material adjustments were necessary to record payables of $33,541 in the Natural Gas Fund. A material adjustment was also needed to reverse prior year payables of $52,079.
- Material adjustments were necessary to reverse prior year payables of $14,396 in the Solid Waste Fund.
- Material adjustments were necessary to record payables of $75,000 in the SPLOST 2008 Fund. A material adjustment was also needed to reverse prior year payables of $150,239.

CAUSE
The City lacked accounting procedures to insure the recording and proper classification of incurred expenses at the end of the fiscal period.

RECOMMENDATION
The City should establish procedures to insure the proper accrual and classification of all liabilities incurred during the fiscal period

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the finding. With a larger accounting staff in place, the City will properly record expenses and classifications when a liability is incurred.

2011-03 Capital Assets

CRITERIA
Accounting and control procedures should be designed to insure that capital asset activity is recorded and reported in the business-type activities financial statements. Capital asset records must be supported by detailed records that include location, department, cost, estimated useful life, depreciation and other detail supporting documentation.

CONDITION
The City had not properly posted all capital asset activity to the subsidiary ledgers.

EFFECT
Material audit adjustments were needed to fairly report capital asset information for the year ended December 31, 2011 as follows:

- Material adjustments in the Water and Sewerage Fund were necessary to reclassify capital asset additions of $2,679,627 from expenses.
- A material adjustment in the Water and Sewerage Fund was necessary to record depreciation expense for $215,609.
- A material adjustment in the Water and Sewerage Fund was necessary to record the abandonment of the wastewater treatment facility project for $716,791.

CAUSE
Accounting personnel may have lacked adequate training in capital asset accounting.

RECOMMENDATION
The City should insure that the proper reconciling procedures are being performed monthly and at year-end to balance and reconcile capital asset records.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the finding. With additional accounting staff, the City will insure that the proper reconciling procedures are being performed monthly and at year-end to balance and reconcile capital asset records.

2011-04 Interfund Balances

CRITERIA
Governmental accounting standards require that interfund loan transactions be recorded as interfund receivables and interfund payables in the lender and borrower funds, respectively. Additionally, these balances are required to be liquidated on a timely basis.

CONDITION
Various funds reflect interfund receivables and payables which are over a year old.

EFFECT
Certain interfund balances were not liquidated until after audit procedures were performed months after the year end.

CAUSE
The City did not monitor outstanding interfund balances.

RECOMMENDATION
We recommend that the City review all interfund receivables and payables on a monthly basis and liquidate the balances on a monthly basis.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the finding. The City will review all interfund receivables and payables on a monthly basis and also liquidate on a monthly basis.

2011-05 Segregation of Duties

CRITERIA
An effective system of internal controls over financial reporting safeguards the assets of the City and provides reasonable assurance that material errors will be detected and corrected in a reasonable amount of time by employees during the normal course of performing their assigned duties. A key component to an effective system of internal control is the proper segregation of incompatible duties.

CONDITION
During 2011, the various incompatible functions within the accounting system were vested in a single employee.

EFFECT
An inadequate system of controls reduces the effectiveness of the financial reporting system and increases the likelihood that errors or defalcation could go undetected.

CAUSE
The City did not adequately utilize staff to provide for a proper segregation of duties within the accounting system.

RECOMMENDATION
When possible, incompatible accounting functions should be segregated. For instances where a proper segregation of duties is not possible or practical, compensating controls should be established to mitigate the risk to the accounting system.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the finding. The City hired an additional accounting assistant in 2012; therefore, duties have been properly segregated and will continue going forward.

2011-06 Debt Service Fund

CRITERIA
The City's accounting system should reflect all of the financial transactions of the City.

CONDITION
During 2011, the accounting system did not reflect the transactions of the debt service fund.

EFFECT
The accounting system did not reflect all of the financial transactions which were required to be reported by governmental accounting standards. Adjustments were necessary to record debt service payments of $368,959 and transfers from the General Fund of $368,930.

CAUSE
The City staff had not established a fund to record debt transactions.

RECOMMENDATION
A debt service fund should be established in the accounting system to record the related debt service transactions.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the finding. The debt service fund has been created and related debt service transactions will be recorded.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.