CITY OF CHATSWORTH, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

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INTRODUCTORY SECTION

CITY OF CHATSWORTH, GEORGIA
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December 31, 2012

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CITY OF CHATSWORTH, GEORGIA
COUNCIL MEMBERS AND MANAGEMENT
As of December 31, 2012

Mayor……Tyson Haynes

Mayor Pro-Tem/Public Safety……Fred Welch

Council Member/Infrastructure……Gary Brock

Council Member/Intergovernmental Relations & Technology……Celeste Martin

Council Member/Finance Officer……Wayne Graves

City Clerk……Wilma Nolan

Assistant City Clerk……Joyce Jones

City Judge……Ron Wilson

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FINANCIAL SECTION

BRC

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of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Mayor and Council Members
City of Chatsworth, Georgia

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Water Works Commission Enterprise Fund, which statements reflect total net position and revenues constituting 72.18 percent and 65.40 percent, respectively, of all fund types and account groups. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Water Works Commission Enterprise Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chatsworth, Georgia's basic financial statements. The Introductory Section, Other Supplemental Information, and Statistical Information are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The Other Supplemental Information is the responsibility of management and is derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and Supplemental Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

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



B. Rodney Crowe, CPA, P.C.
Ringgold, Georgia
June 28, 2013

CITY OF CHATSWORTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Chatsworth, Georgia, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Chatsworth, Georgia for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

The assets of the City of Chatsworth, Georgia exceeded its liabilities on December 31, 2012 by $33,544,433 (net position). Of this amount, $8,457,817 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

For the fiscal year ended December 31, 2012, the City's governmental activities operated at a deficit of $365,449, and the City's business-type activities operated at a deficit of $70,691. In year 2011, Shaw industries closed a plant in the City of Chatsworth, which resulted in a decrease in Franchise Tax revenue received from utility providers presented in the City's governmental activities and a decline in revenue included from the City's business-type activities.

As of the close of the current fiscal year, the City of Chatsworth, Georgia's governmental funds reported combined ending fund balances of $9,332,663.

At the end of the current fiscal year, unassigned fund balance for the general fund was $5,707,512, or 158.56%, of total general fund expenditures.

As of the close of the current fiscal year, the City of Chatsworth, Georgia's enterprise funds reported combined ending net position of $24,211,770. Of that balance $2,683,749, or 11.08%, is unrestricted, and the remaining $21,528,021, or 88.92%, of net position is invested in capital assets and restricted to capital projects and debt service.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction of the City of Chatsworth, Georgia's basic financial statements. The City of Chatsworth, Georgia's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

The government-wide financial statements are:

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Chatsworth, Georgia 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 user fees and charges (business-type activities). The governmental activities of the City of Chatsworth, Georgia include general government, public safety, public works, and public welfare and recreation. The business-type activities of the City of Chatsworth, Georgia include the Water and Sewer Fund.

The government-wide financial statements can be found on pages 14 and 15 of this report.

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 Chatsworth, 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 Chatsworth, 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. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

The City of Chatsworth, Georgia adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for all governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16 through 24 of this report.

Proprietary Funds

The City of Chatsworth, Georgia maintains one type of proprietary fund: enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Chatsworth, Georgia uses enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered to be a major fund of the City of Chatsworth, Georgia.

The basic proprietary fund financial statements can be found on pages 25 through 28 of this report.

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. The notes to the financial statements can be found on pages 29 through 51 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Chatsworth, Georgia, assets exceeded liabilities by $33,544,433 at the close of this fiscal year.

The largest portion of the City of Chatsworth, Georgia's net position, $23,502,272 or 70.06%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City of Chatsworth, Georgia uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Chatsworth, Georgia's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position totaling $1,584,344, or 4.72%, represents resources that are subject to external restrictions on how they may be used. A portion of the restricted net position, $1,390,323 or 4.14%, is restricted for capital projects, and the other portion, $194,021 or 0.58%, is restricted for debt services. The remaining balance of unrestricted net position of $8,457,817, or 25.21%, may be used to meet the government's ongoing obligations to its citizens and creditors.

On December 31, 2012, the City of Chatsworth, Georgia is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The table below provides a summary of the City's net position broken down by governmental and business type activities.

City of Chatsworth, Georgia
Net Position

	2012		2011		2012	2011
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities	Total	Total
Current and other assets	$ 5,856,634	$ 5,408,071	$ 5,983,724	$ 4,482,292	$ 11,264,705	$ 10,466,016
Capital assets, net	3,558,590	28,193,295	3,902,865	29,126,860	31,751,885	33,029,725
Total assets	9,415,224	33,601,366	9,886,589	33,609,152	43,016,590	43,495,741
Current liabilities	82,561	1,648,848	188,477	1,941,470	1,731,409	2,129,947
Long-term liabilities	-	7,740,748	-	7,385,221	7,740,748	7,385,221
Total liabilities	82,561	9,389,596	188,477	9,326,691	9,472,157	9,515,168
Net position:						
Net investment in capital assets	3,558,590	19,943,682	3,902,865	20,844,181	23,502,272	24,747,046
Restricted	5	1,584,339	5	1,826,914	1,584,344	1,826,919
Unrestricted	5,774,068	2,683,749	5,795,242	1,611,366	8,457,817	7,406,608
Total net position	$ 9,332,663	$ 24,211,770	$ 9,698,112	$ 24,282,461	$ 33,544,433	$ 33,980,573

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE
(Continued)

Changes in Net Position

As of the close of the current fiscal year, the City of Chatsworth, Georgia's governmental net position decreased by $436,140. Governmental activities decreased the City's net position by $365,449, and the business-type activities decreased the City's net position by $70,691.

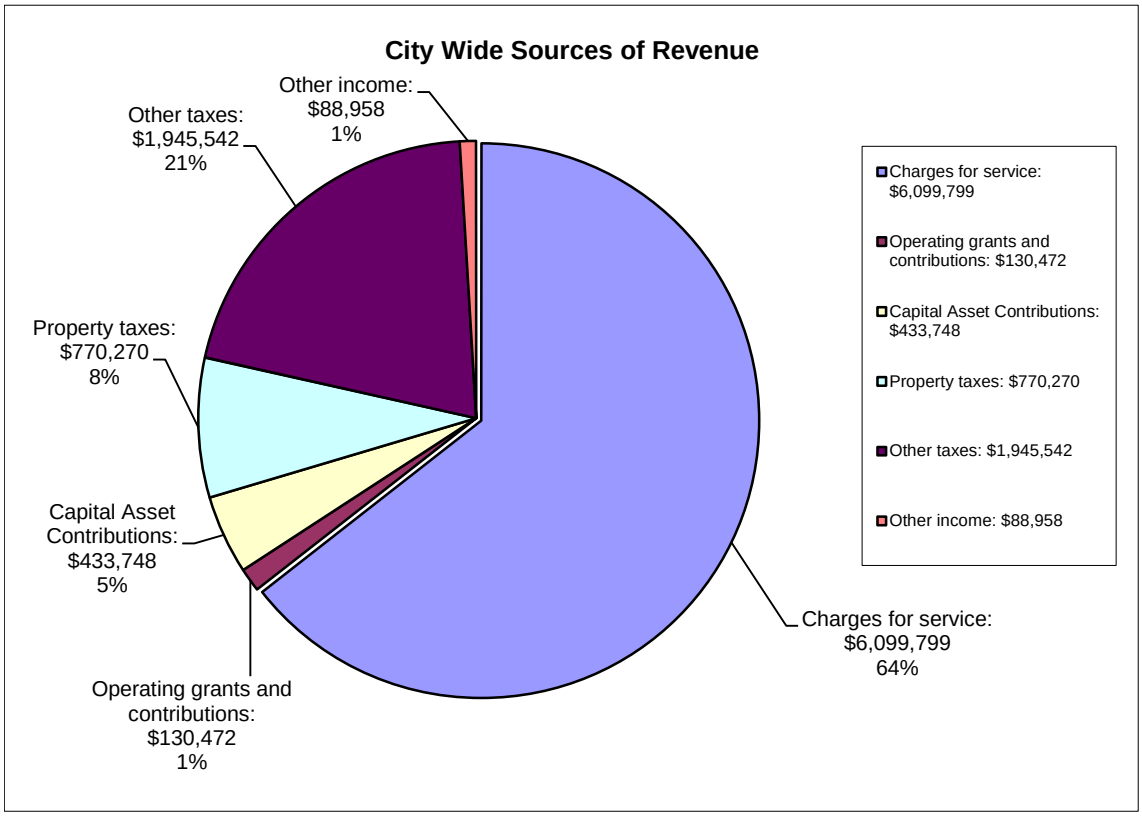
The table below provides a summary of the City's net position broken down by governmental and business-type activities.

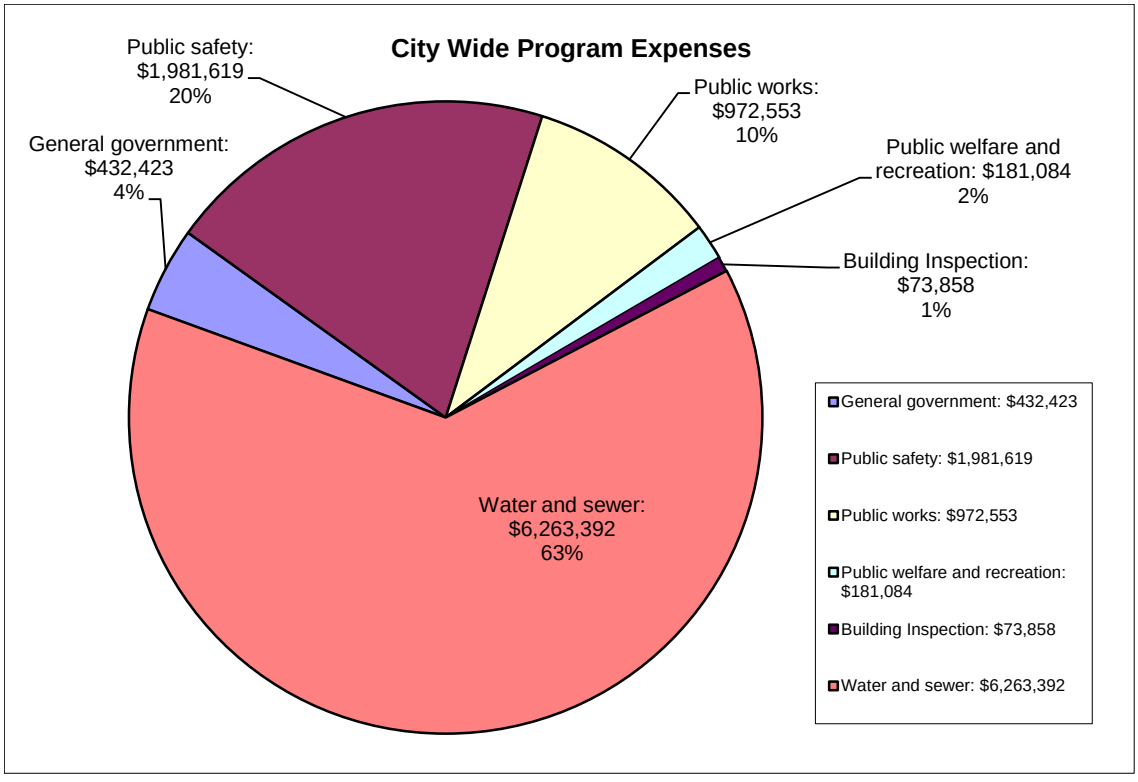
City of Chatsworth, Georgia
Changes in Net Position

	2012		2011		2012	2011
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities	Total	Total
REVENUE						
Program revenues:						
Charges for services	$ 378,109	$ 5,721,690	$ 382,900	$ 5,914,692	$ 6,099,799	$ 6,297,592
Operating grants and contributions	130,472	-	28,961	-	130,472	28,961
Capital grants and contributions	433,748	-	416,597	-	433,748	416,597
General revenues:						
Property taxes	770,270	-	733,272	-	770,270	733,272
Other taxes	1,945,542	-	1,930,923	-	1,945,542	1,930,923
Other income	51,695	37,263	66,512	41,521	88,958	108,033
Total revenues	3,709,836	5,758,953	3,559,165	5,956,213	9,468,789	9,515,378
EXPENSES						
General government	432,423	-	489,107	-	432,423	489,107
Public safety	1,981,619	-	2,092,080	-	1,981,619	2,092,080
Public works	972,553	-	945,930	-	972,553	945,930
Public welfare and recreation	181,084	-	231,557	-	181,084	231,557
Buiding inspection	73,858	-	120,728	-	73,858	120,728
Interest on long-term debt	-	295,328	-	361,211	295,328	361,211
Water & sewer	-	5,968,064	-	5,262,617	5,968,064	5,262,617
Total expenses	3,641,537	6,263,392	3,879,402	5,623,828	9,904,929	9,503,230
Increase (decrease) in net position before transfers	68,299	(504,439)	(320,237)	332,385	(436,140)	12,148
Transfers	(433,748)	433,748	(420,953)	420,953	-	-
Change in net position	(365,449)	(70,691)	(741,190)	753,338	(436,140)	12,148
Net position - beginning	9,698,112	24,282,461	10,439,302	23,529,123	33,980,573	33,968,425
Net position - ending	$ 9,332,663	$ 24,211,770	$ 9,698,112	$ 24,282,461	$ 33,544,433	$ 33,980,573

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE
(Continued)

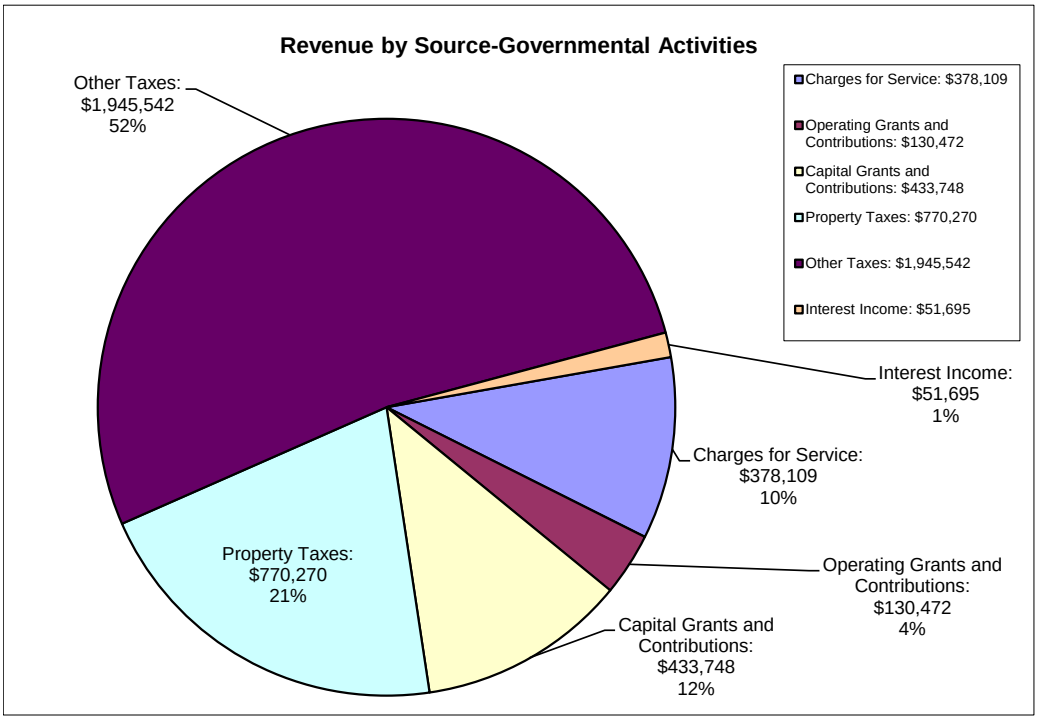
The graphs below summarize the $9,468,789 of City-Wide Revenue by source, and the associated $9,904,929 of expenses by program. The graph combines data from both governmental and business-type activities.



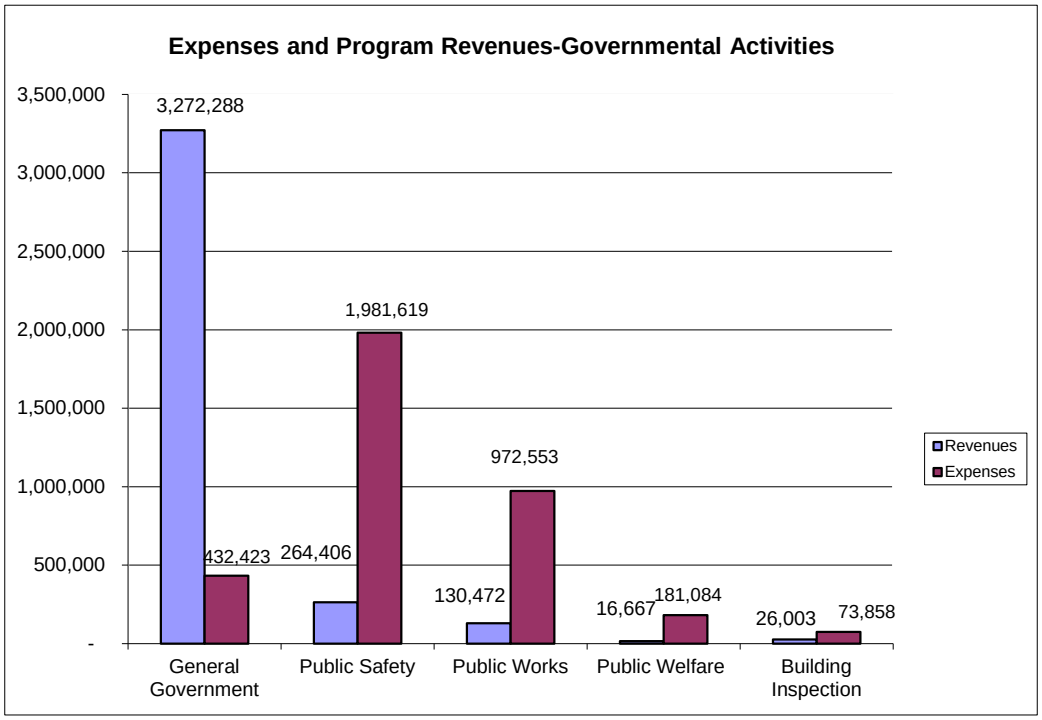


FINANCIAL ANALYSIS OF THE CITY AS A WHOLE
(Continued)

Governmental activities accounted for revenues of $3,709,836. The following graph summarizes the revenue by source.

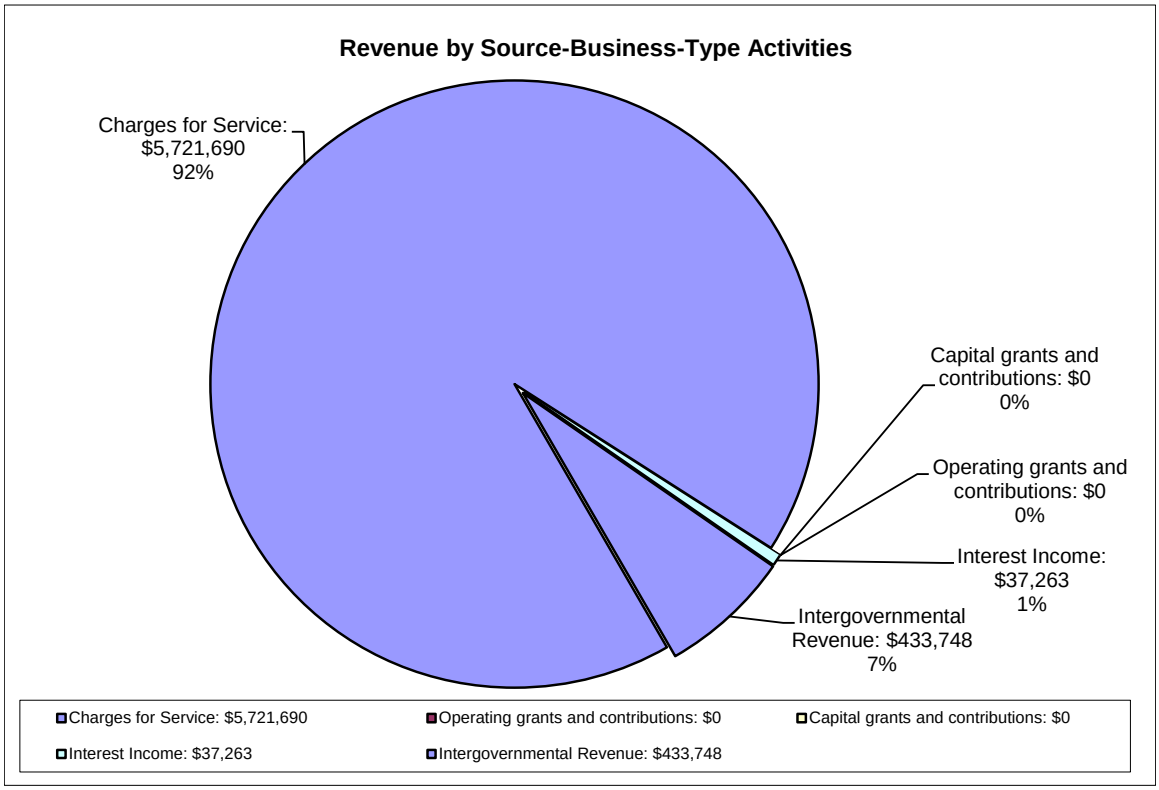


The following graph summarizes the revenue and related expense for each governmental program of the City. The difference between expense and revenue is the financial burden placed on the City's taxpayers for each program.

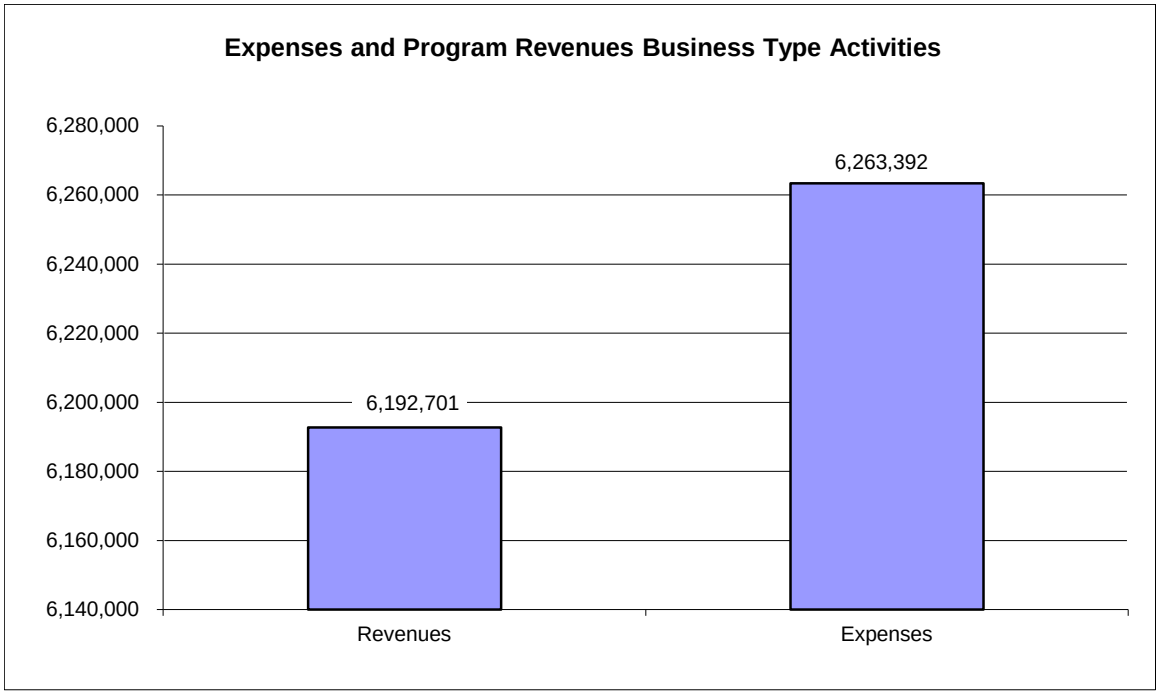


Business-type activities

Business-type activities accounted for revenues of $6,192,701. The following graph summarizes the revenue by source.



The following graph summarizes the revenue and related expense of operating the Sewer and Water fund.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Chatsworth, Georgia uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds
The focus of the City of Chatsworth, Georgia'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 of Chatsworth, Georgia's financing requirements. The unassigned fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year, the City of Chatsworth, Georgia's governmental funds reported combined ending fund balances of $5,707,517. 99.99% of this total amount or $5,707,512 constitutes unassigned fund balance.

The general fund is the chief operating fund of the City of Chatsworth, Georgia. At the end of the current fiscal year, unreserved fund balance of the general fund was $5,707,512. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total general fund expenditures. Unreserved fund balance represents 173.10% of total fund expenditures.

Proprietary Funds
The City of Chatsworth, Georgia's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year amounted to $2,683,749.

In September 2012, Water Works Commission, a component unit of the City of Chatsworth, Georgia, issued a new revenue bond bearing interest at rates ranging from 2.00 – 3.00%. The Commission used the proceeds to prepay its outstanding debt with averages interest rates of 4.25% and to acquire construct and equip extensions, additions, and improvements to its utility system.

General Fund Budgetary Highlights
Franchise tax revenue is $119,125, or 12.33%, under budget as a result of the plant closing by Shaw.

A new 2012 SPLOST fund, with collection beginning in year 2013, is approved to finance purchase of a new fire truck.

City of Chatsworth, Georgia's Outstanding Debt
At the end of the current fiscal year, the City of Chatsworth, Georgia had no debt outstanding in the governmental fund and $8,249,613 outstanding in the proprietary fund. See Note 10 for detail of debt.

CAPITAL ASSET AND DEBT ADMINISTRATION

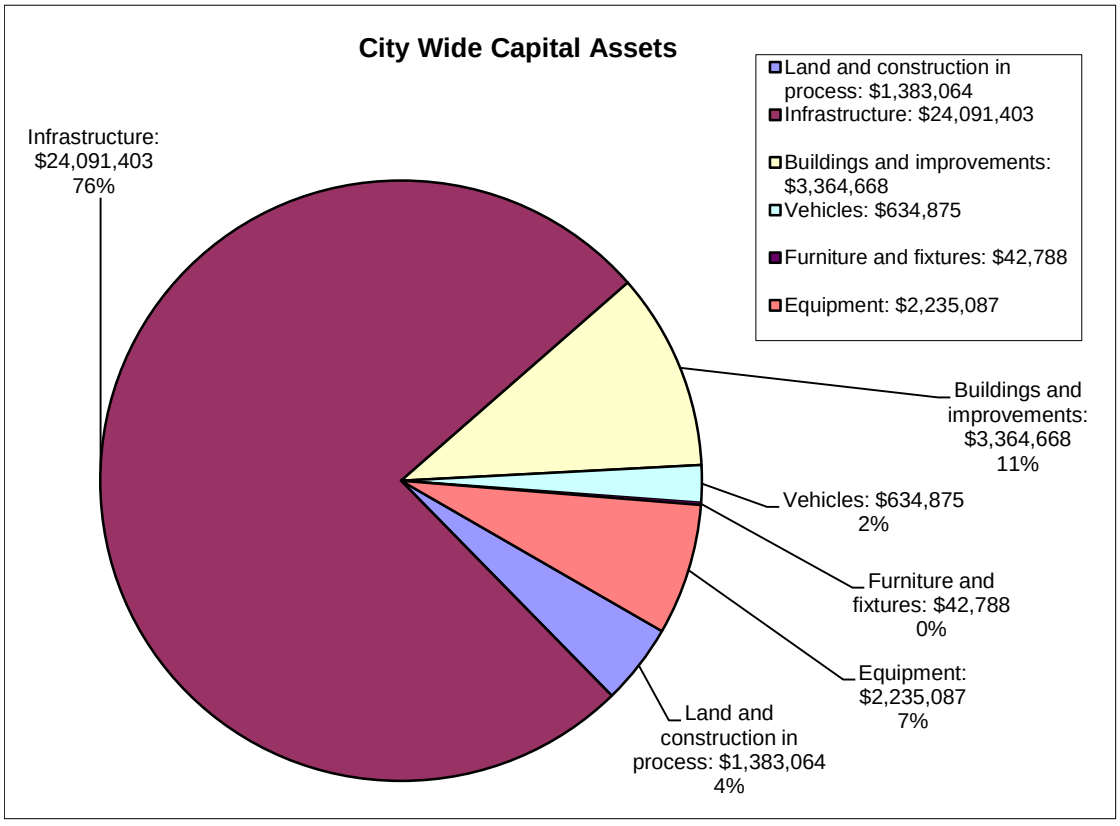
Investment in capital assets, net of accumulated depreciation, for both governmental and business-type activities, *Primary Government*, decreased $$1,277,850. Beginning balance was $33,029,735, plus current year additions of $494,406, less current year depreciation of $1,752,936, less net dispositions / reclassifications of $19,320, resulted in an ending balance of $31,751,885.

The table below summarizes the City's investment in capital assets and is broken down by government and business type activities. Additional information on the City's capital assets can be found in Note 8 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION
(Continued)

City of Chatsworth, Georgia's Capital Assets
(Net of Depreciation)

	Governmental Activities	Business-Type Activities	Total
Land and construction in process	$ 595,407	$ 787,657	$ 1,383,064
Infrastructure	1,061,237	23,030,166	24,091,403
Buildings and improvements	999,704	2,364,964	3,364,668
Vehicles	472,138	162,737	634,875
Furniture and fixtures	13,561	29,227	42,788
Equipment	416,543	1,818,544	2,235,087
Total capital assets	**$ 3,558,590**	**$ 28,193,295**	**$ 31,751,885**



Requests for Information

This financial report is designed to provide a general overview of the City of Chatsworth, Georgia's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the City of Chatsworth, Georgia.

BASIC FINANCIAL STATEMENTS

CITY OF CHATSWORTH, GEORGIA
Statement of Net Position
December 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents			
Available	$ 1,480,561	$ 1,464,273	$ 2,944,834
Restricted for specific use	5	1,584,339	1,584,344
Investments	2,500,000	1,510,907	4,010,907
Property taxes receivable	132,316	-	132,316
Other taxes receivable	716,933	-	716,933
Other receivables	5,150	626,048	631,198
Inventory	-	123,925	123,925
Prepaid expenses	-	35,251	35,251
Notes receivable:			
Current - Interfund loans	508,865	(508,865)	-
Non-Current - Interfund loans	422,381	(422,381)	-
Due from other governments:			
Available	90,423	-	90,423
Restricted for capital projects	63,328	-	63,328
Internal balances	(63,328)	63,328	-
Land and other non-depreciable assets	595,407	787,657	1,383,064
Other capital assets, net of accumulated depreciation	2,963,183	27,405,638	30,368,821
Total assets	9,415,224	32,670,120	42,085,344
LIABILITIES AND NET POSITION			
Liabilities			
Accounts payable	32,223	248,277	280,500
Accrued expenses and other liabilities:			
From unrestricted assets	50,338	107,760	158,098
From restricted assets	-	54,870	54,870
Customer deposits	-	705,070	705,070
Unearned revenue	-	24,006	24,006
Long-term liabilities:			
Due in more than one year	-	7,318,367	7,318,367
Total liabilities	82,561	8,458,350	8,540,911
Net Position			
Net investment in capital assets	3,558,590	19,943,682	23,502,272
Restricted for debt service	-	194,021	194,021
Restricted for capital projects	5	1,390,318	1,390,323
Unrestricted	5,774,068	2,683,749	8,457,817
Total net position	$ 9,332,663	$ 24,211,770	$ 33,544,433

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Statement of Activities
Year Ended December 31, 2012

Functions/Programs		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Primary Government	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contribtions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	$ 432,423	$ 71,033	$ -	$ 433,748	$ 72,358	$ -	$ 72,358
Public safety	1,981,619	264,406	-	-	(1,717,213)	-	(1,717,213)
Public works	972,553	-	130,472	-	(842,081)	-	(842,081)
Public welfare and recreation	181,084	16,667	-	-	(164,417)	-	(164,417)
Building Inspection	73,858	26,003	-	-	(47,855)	-	(47,855)
Total govenrmental activities	3,641,537	378,109	130,472	433,748	(2,699,208)	-	(2,699,208)
Business-type activities:							
Water & Sewer	6,263,392	5,721,690	-	-	-	(541,702)	(541,702)
Total business-type activities	6,263,392	5,721,690	-	-	-	(541,702)	(541,702)
Total primary government	$ 9,904,929	$6,099,799	$ 130,472	$ 433,748	$ (2,699,208)	$ (541,702)	$ (3,240,910)
General revenues:							
Property tax					$ 770,270	$ -	$ 770,270
Franchise tax					846,875	-	846,875
Local option sales tax					649,004	-	649,004
Malt beverage tax					127,379	-	127,379
Motor vehicle tax					20,804	-	20,804
Occupational tax					58,821	-	58,821
Premium tax					214,177	-	214,177
Other taxes					28,482	-	28,482
Interest revenue					51,695	37,263	88,958
Total general revenue					2,767,507	37,263	2,804,770
Transfers					(433,748)	433,748	-
Total general revenues and transfers					2,333,759	471,011	2,804,770
Change in net position					(365,449)	(70,691)	(436,140)
Net position - beginning of year					9,698,112	24,282,461	33,980,573
Net position - end of year					$ 9,332,663	$ 24,211,770	$33,544,433

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Governmental Funds
Balance Sheet
December 31, 2012

	General Fund	SPLOST Capital Projects	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash	$ 3,980,561	$ 5	$ -	$ 3,980,566
Property tax receivable - net	132,316	-	-	132,316
Interfund loan receivable	931,247	-	-	931,247
Other receivables	722,083	-	-	722,083
Due from other governments	90,423	63,328	-	153,751
TOTAL ASSETS	$ 5,856,630	$ 63,333	$ -	$ 5,919,963
LIABILITIES				
Accounts payable	$ 32,223	$ -	$ -	$ 32,223
Accrued wages	48,617	-	-	48,617
Compensated absences	1,722	-	-	1,722
Due to other funds	-	63,328	-	63,328
Total liabilities	82,562	63,328	-	145,890
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	66,556	-	-	66,556
FUND BALANCES				
Unassigned	5,707,512	-	-	5,707,512
Restricted for SPLOST Projects	-	5	-	5
Total fund balances	5,707,512	5	-	5,707,517
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	$ 5,856,630	$ 63,333	$ -	$ 5,919,963

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2012

Total fund balances per governemental funds balance sheet	$	5,707,517
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,558,590
Some of the City'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.		66,556
Net position of governmental activities	$	9,332,663

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2012

	General Fund	SPLOST Capital Projects	Other Governmental Fund	Total Governmental Funds
REVENUES				
Taxes	$ 2,608,703	$ -	$ -	$ 2,608,703
License and permits	33,475	-	-	33,475
Intergovernmental	239,212	433,748	-	672,960
Fines and forfeitures	233,834	-	-	233,834
Interest revenue	51,695	-	-	51,695
Other revenue	110,802	-	-	110,802
Total revenues	3,277,721	433,748	-	3,711,469
EXPENDITURES				
Current expenditures				
General government	292,099	-	-	292,099
Public safety	1,816,576	-	-	1,816,576
Street department	963,662	-	-	963,662
Public welfare and recreation	151,690	-	-	151,690
Building inspector	73,236	-		73,236
Total expenditures	3,297,263	-	-	3,297,263
Excess (deficiency) of revenues over expenditures	(19,542)	433,748	-	414,206
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	(433,748)	-	(433,748)
Total other financing sources (uses)	-	(433,748)	-	(433,748)
Net change in fund balance	(19,542)	-	-	(19,542)
Fund balances - beginning of year	5,727,054	5	-	5,727,059
Fund balances - end of year	$ 5,707,512	$ 5	$ -	$ 5,707,517

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2012

Net change in fund balances for total governmental funds	$ (19,542)
Governmental funds report capital outlay as expenditures, however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.	(344,275)
Revenues in the Statement of Activites that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable derred inflows.	(1,632)
Change in net position of governmental activities	$ (365,449)

The accompanying notes are an integral part of the financial statements

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CITY OF CHATSWORTH, GEORGIA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Year Ended December 31, 2012

	Budgeted Amounts			Variance Over
	Original	Final	Actual	(Under)
REVENUES				
Taxes				
City property tax	$ 759,280	$ 759,280	$ 771,902	$ 12,622
Premium tax	210,000	210,000	214,177	4,177
Franchise tax	851,000	851,000	738,134	(112,866)
Local options sales tax	600,000	600,000	649,004	49,004
Malt beverage tax	121,060	121,060	127,379	6,319
Motor vehicle tax	20,396	20,396	20,804	408
Occupational tax	60,000	60,000	58,821	(1,179)
Banking tax	35,000	35,000	28,482	(6,518)
Total taxes	2,656,736	2,656,736	2,608,703	(48,033)
License and permits				
Building permits	-	-	75	75
Malt and beverage license	26,000	26,000	33,400	7,400
Total license and permits	26,000	26,000	33,475	7,475
Intergovernmental				
State grants for street const.	131,000	131,000	130,472	(528)
Franchise tax from Water Works	115,000	115,000	108,740	(6,260)
Total intergovernmental	246,000	246,000	239,212	(6,788)
Fines and forfeitures				
Police and courts	201,500	201,500	233,834	32,334
Total fines and forfeitures	201,500	201,500	233,834	32,334
Interest revenue				
Interest	75,000	75,000	51,695	(23,305)
Total interest revenue	75,000	75,000	51,695	(23,305)
Other revenue				
Sanitation fees	35,000	35,000	16,667	(18,333)
Probation fees	45,000	45,000	30,289	(14,711)
Miscellaneous	58,070	58,070	63,844	5,774
Total other revenue	138,070	138,070	110,800	(27,270)
TOTAL REVENUES	$ 3,343,306	$ 3,343,306	$ 3,277,719	$ (65,587)

(Continued)

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended December 31, 2012

	Budgeted Amounts			Variance (Over)
	Original	Final	Actual	Under
EXPENDITURES				
Current expenditures				
General government				
Administration				
Administrative salaries	$ 114,146	$ 116,014	$ 108,265	$ 7,749
Health Insurance	10,130	10,130	10,131	(1)
Payroll taxes	10,844	10,986	10,986	-
Retirement contribution	5,903	5,903	5,903	-
Advertising	3,000	3,000	2,287	713
Telephone	10,000	10,000	5,765	4,235
Office supplies	14,000	15,330	15,330	-
Repairs and maintenance	25,000	25,000	2,589	22,411
Dues and subscriptions	15,000	15,000	14,051	949
Professional services	25,000	25,000	24,180	820
Utilities	10,000	10,000	7,608	2,392
Miscellaneous expenditures	15,000	15,000	3,852	11,148
Tree City USA	14,447	14,447	3,081	11,366
Library aid	30,000	30,000	30,000	-
Contributions	4,200	4,200	1,200	3,000
Total administration	306,670	310,010	245,228	64,782
Building and plant				
Insurance	12,000	12,000	8,977	3,023
Janitorial	7,000	7,000	3,625	3,375
Total building and plant	19,000	19,000	12,602	6,398
Council				
Mayor and Council	27,600	27,600	27,600	-
Total council	27,600	27,600	27,600	-
Law				
Professional services	12,000	8,660	5,685	2,975
Education and training	5,000	5,000	984	4,016
Total law	17,000	13,660	6,669	6,991
Total general government	$ 370,270	$ 370,270	$ 292,099	$ 78,171

(Continued)

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended December 31, 2012

	Budgeted Amounts			Variance (Over)
	Original	Final	Actual	Under
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Public safety				
Police department				
Salaries	$ 694,815	$ 703,001	$ 654,864	$ 48,137
Payroll taxes	53,153	53,153	52,944	209
Group health insurance	81,043	81,043	78,805	2,238
Retirement expenditures	47,223	47,223	47,224	(1)
Unemployment tax	17,160	-	-	-
Workers compensation insurance	15,000	22,313	22,313	-
Office supplies	7,000	7,000	3,068	3,932
Janitorial	7,000	7,000	3,847	3,153
Utilities	8,500	8,500	6,879	1,621
Telephone	7,900	7,900	7,354	546
Insurance	15,000	15,000	12,385	2,615
Uniforms	5,800	7,034	6,723	311
Fuel	47,000	42,032	38,155	3,877
Supplies and materials	7,000	10,453	10,453	-
Repairs and maintenance	12,000	13,942	13,942	-
Personnel training	7,000	7,000	3,409	3,591
State Fines	18,000	18,000	14,464	3,536
Jail board and fund	48,000	48,000	31,736	16,264
Medical expenditures	1,500	1,500	-	1,500
Vehicle expenditures	6,000	6,000	4,489	1,511
Miscellaneous	13,300	13,300	11,155	2,145
Peace officer training fund	15,000	15,000	13,040	1,960
Probation supervision fees	9,500	9,500	5,956	3,544
Budgeted and nonbudgeted contributions	24,000	24,000	16,524	7,476
Capital Purchases	-	-	3,917	(3,917)
Total police department	1,167,894	1,167,894	1,063,646	104,248
Fire department				
Salaries	563,097	553,592	512,043	41,549
Payroll taxes	43,077	43,077	39,979	3,098
Group health insurance	60,782	61,280	64,807	(3,527)
Retirement expenditures	39,479	39,479	33,145	6,334
Workers compensation insurance	15,000	15,000	17,754	(2,754)
Insurance	8,000	8,000	7,395	605
Telephone	5,200	5,563	5,563	-
Personnel training	3,000	3,000	2,724	276
Office supplies	500	1,103	1,103	-
Maintenance	6,000	6,000	4,674	1,326
Utilities	19,800	19,800	15,861	3,939
Fuel	12,000	14,227	14,227	-
Uniforms	5,000	5,000	2,114	2,886
Protective clothing	6,500	6,500	5,696	804
Equipment repairs	15,750	19,380	18,630	750
Truck expenditures	5,000	5,000	4,241	759
Miscellaneous	1,300	3,484	2,974	510
Total fire department	809,485	809,485	752,930	56,555
Total public safety	$1,977,379	$1,977,379	$1,816,576	$ 160,803

(Continued)

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended December 31, 2012

	Budgeted Amounts			Variance (Over)
	Original	Final	Actual	Under
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Public works				
Street department				
Salaries	$ 419,033	$ 419,033	$ 384,277	$ 34,756
Payroll taxes	32,056	32,056	29,267	2,789
Group health Ins	54,372	54,372	56,439	(2,067)
Retirement insurance	27,881	27,881	27,950	(69)
Workers compensation Ins	16,921	16,921	13,202	3,719
Insurance	15,000	15,000	12,239	2,761
Auto	10,000	10,000	5,588	4,412
Uniforms	8,000	8,000	6,690	1,310
Fuel	55,000	55,000	47,024	7,976
Supplies & materials	30,000	30,000	18,069	11,931
Repairs and maintenance	20,000	20,000	16,248	3,752
Utilities	178,000	178,000	167,917	10,083
Street improvements	180,400	180,400	161,403	18,997
Office supplies	1,000	1,000	552	448
Telephone	2,000	2,000	1,657	343
Equipment rental	1,000	1,000	-	1,000
Miscellaneous	2,000	2,000	655	1,345
Capital purchases	-	-	14,485	(14,485)
Total street department	1,052,663	1,052,663	963,662	89,001
Total public works	1,052,663	1,052,663	963,662	89,001
Public welfare and recreation				
Health and Sanitation				
Salaries	45,447	45,447	41,559	3,888
Payroll taxes	3,477	2,936	2,935	1
Group health insurance	6,925	6,925	6,925	-
Retirement expenditures	2,952	2,952	2,952	-
Workers compensation insurance	1,000	1,427	1,427	-
Insurance	1,546	1,820	1,820	-
Supplies & materials	1,000	100	100	-
Repairs & maintenance	10,000	11,026	11,026	-
Uniforms	1,200	1,200	624	576
Miscellaneous	1,000	-	-	-
Fuel	18,000	14,621	14,621	-
Tipping fees	30,000	34,093	37,701	(3,608)
Health department aid	5,000	5,000	5,000	-
Budgeted contributions	25,000	25,000	25,000	-
Total health and sanitation	152,547	152,547	151,690	857
Total welfare and recreation	$ 152,547	$ 152,547	$ 151,690	$ 857

(Continued)

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Continued)
Year Ended December 31, 2012

	Budgeted Amounts			Variance (Over)
	Original	Final	Actual	Under
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Building inspection				
Salaries	$ 41,209	$ 41,209	$ 42,416	$ (1,207)
Payroll taxes	3,153	3,153	3,258	(105)
Group health	5,065	5,065	5,065	-
Retirement	5,903	5,903	5,899	4
Workman's compensation	2,000	2,000	1,348	652
Janitorial	1,700	1,700	1,215	485
Insurance	1,000	1,000	741	259
Auto	1,000	1,000	737	263
Utilities	3,600	3,600	2,536	1,064
Fuel	2,000	1,392	1,277	115
Personnel training	1,500	1,500	-	1,500
Office supplies	2,000	2,000	815	1,185
Maintenance and supplies	500	500	174	326
Equipment repairs	500	500	-	500
Telephone	1,800	1,800	1,343	457
Dues	250	250	304	(54)
Miscellaneous	5,500	6,108	6,108	-
Total Building Inspection	78,680	78,680	73,236	5,444
Total Expenditures	3,631,539	3,631,539	3,297,263	334,276
Excess (deficiency) of revenues over (under) expenditures	(288,233)	(288,233)	(19,544)	(268,689)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(288,233)	(288,233)	(19,544)	(268,689)
Fund balance - beginning of year	4,984,767	4,516,762	5,727,054	(1,210,292)
Fund balance - end of year	$4,696,534	$ 4,228,529	$ 5,707,510	$ (1,478,981)

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Proprietary Funds
Statement of Net Position
Year Ended December 31, 2012

ASSETS	Water and Sewerage Fund
CURRENT ASSETS	
Cash	$ 1,464,273
Investments	1,510,907
Receivables, net of allowance for uncollectibles:	
Accounts	621,940
Interest	4,108
Interfund receivables	63,328
Inventory	123,925
Prepaid expenses	35,251
Restricted assets:	
Cash	1,584,339
Total current assets	5,408,071
NON-CURRENT ASSETS	
Capital assets:	
Land	649,734
Buildings	5,423,311
Infrastructure	40,072,256
Machinery and equipment	3,014,940
Vehicles	454,927
Construction in progress	137,923
	49,753,091
Less accumulated depreciation	21,559,796
Total non-current assets	28,193,295
Total Assets	$ 33,601,366

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Proprietary Funds (Continued)
Statement of Net Position
Year Ended December 31, 2012

LIABILITIES	
CURRENT LIABILITIES	
Payable from current assets:	
Accounts payable	$ 248,277
Compensated absences payable	59,416
Accrued expenses and other liabilities	44,984
Customer deposits payable	705,070
Accrued interest payable	3,360
Unearned Revenue	24,006
Interfund loan-current	508,865
Payable from restricted assets:	
Accrued interest payable	54,870
Total current liabilities	1,648,848
LONG-TERM LIABILITIES	
Interfund loan payable	422,381
Revenue bonds payable	7,318,367
Total long-term liabilities	7,740,748
Total liabilities	9,389,596
NET POSITION	
Invested in capital assets	19,943,682
Restricted for debt service	194,021
Restricted for capital projects	1,390,318
Unrestricted	2,683,749
Total net position	$ 24,211,770

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2012

	Water and Sewerage Fund
Operating revenues	
Charges for services:	
Water sales	$ 4,149,051
Sewer sales	1,007,459
Connection fees	95,625
Other fees and charges	469,555
Total operating revenues	5,721,690
Operating expenses	
Administrative	1,467,976
Distribution and maintenance	1,044,771
Sewer plant	450,860
Water plant	1,367,338
Depreciation	1,358,779
Total operating expenses	5,689,724
Operating income	31,966
Non-operating revenues (expenses)	
Interest income	37,263
Interest expense and fiscal charges	(295,328)
Bond issuance costs	(266,667)
Other	(11,673)
Total non-operating revenues (expenses), net	(536,405)
Income before contributions and transfers	(504,439)
Transfers	433,748
Change in net position	(70,691)
Total net position, beginning of year	24,282,461
Total net position, end of year	$ 24,211,770

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2012

	Water and Sewerage Fund
Cash Flows from Operating Activities	
Receipts from customers and users	$ 5,784,136
Payments to suppliers	(2,849,645)
Payments to employees	(1,449,684)
Net cash provided by operating activities	1,484,807
Cash Flows from Noncapital Financing Activities	
Other non-operating expenses	(15,049)
Net cash used in noncapital financing activities	(15,049)
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(425,204)
Proceeds from the sale of capital assets	3,376
Proceeds from long-term borrowings	7,180,000
Proceeds from original issue premium	138,367
Payment of issuance costs for long-term borrowings	(266,667)
Principal payments on long-term borrowings	(7,351,433)
Interest paid on long-term borrowings	(261,705)
Intergovernmental receipts	438,517
Net cash used in capital and transfers related financing activities	(544,749)
Cash Flows from Investing Activities	
Purchases of investments	(210,762)
Interest received	38,914
Net cash provided by investing activities	(171,848)
Net increase in cash	753,161
Cash:	
Beginning of year	2,295,451
End of year	$ 3,048,612
Classified as:	
Cash	$ 1,464,273
Restricted cash	1,584,339
	$ 3,048,612
Reconciliation of Operating Income to Net Cash By Operating Activities	
Operating income	$ 31,966
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	1,358,779
Change in assets and liabilities:	
Decrease in accounts receivable	5,216
Decrease in inventory	12,379
Decrase in prepaid expenses	223
Increase in accounts payable and accrued expenses	19,014
Decrease in unearned revenue	(217)
Increase in customer deposits payable	57,447
Net cash provided by operating activities	$ 1,484,807

The accompanying notes are an integral part of the financial statements

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Chatsworth, Georgia (the "City") was incorporated June 7, 1926, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council form of government and provides the following services by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administration services.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The City does not apply FASB pronouncements or Accounting Principles Board Opinions issued after November 30, 1989. The more significant accounting policies of the City are described below.

The following is a summary of the more significant accounting policies:

A. Reporting Entity

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB issued statement No. 14, *The Financial Reporting Entity*, and GAAP. This statement requires that the financial statements present the fund types and account groups of the City of Chatsworth (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board, and the primary government is able to impose its will upon the potential component unit); or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The following component unit has been presented as a blended component unit because of the significance of the operational relationship with the City.

City of Chatsworth Water Works Commission – The City of Chatsworth Water Works Commission (the "Commission"), a body politic, was duly created under the Acts of the General Assembly of the State of Georgia in 1947. The Commission was created to provide water and related services throughout the City of Chatsworth, Georgia. The Commission currently serves customers in the City of Chatsworth and Murray County, Georgia. Related services include waste treatment, maintenance of water and sewer lines and installation of new water and sewer lines. The Commission is governed by a board of commissioners, which are appointed by the Mayor of Chatsworth. Individual financial statements may be obtained by contacting the Water Works Commission, 620 S 2nd Ave., Chatsworth, GA 30705.

Discreetly Presented Component Units – The Downtown Development Authority of Chatsworth is a registered local government authority and a component of the City of Chatsworth, but is inactive and has no assets. Therefore, it is not presented in the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Related Organizations – The Housing Authority of the City of Chatsworth, 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 by the City of Chatsworth, Georgia. The City of Chatsworth, 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 Chatsworth, Georgia is a related organization.

B. Basic Financial Statements – GASB Statement No. 34

The basis financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

Government-wide Statements – The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. In the government-wide Statement of Net Position, both governmental and business-type activities are presented on a consolidated basis and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Governmental activities generally are financed through taxes, inter-governmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents both a gross and net cost comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity.

This government-wide focus is designed to view the City as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements – GASB Statement No. 34 (Continued)

Fund Financial Statements – The fund financial statements are, in substance, very similar to the financial statements presented in the previous model, and provide information about the City's funds, including governmental funds and enterprise funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental and enterprises funds, each displayed in a separate column.

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

The City reports the following major governmental fund:

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

Capital Projects Fund – This governmental fund is used to account for the Special Local Option Sales Tax (SPLOST) receipts of the City.

The City reports the following major enterprise fund:

Water and Sewer Fund – This fund is used to account for the provision of water and sewer services to the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

C. Measurement Focus – Basis of Accounting

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

Government 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. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, and in-lieu of taxes are susceptible to accrual. Licenses and permits, fines and forfeitures, gross receipts taxes and excise taxes are recorded as revenue when received in cash because they are generally not measurable until actually received.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus – Basis of Accounting (Continued)

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the enterprise fund's principal ongoing operation. The principal operating revenues of the City's enterprise funds 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 non-operating revenues and expenses.

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

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

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

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

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

Assigned – Fund balances are reported as assigned when amounts are constrained by the Council action to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Fund balances are reported as unassigned when the residual amount does not meet any of the above criteria. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus – Basis of Accounting (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government wide financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balances in the following order: Committed, assigned, unassigned.

Net Position – Net position represents the differences between assets and differed outflows of resources and liabilities and deferred inflows of resources. Net position is presented in three components as follows:

Net investment in capital assets – Capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction, or improvement of those assets.

Restricted – Restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

All governmental and business-type activities of the City follow FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

D. Budgetary Data

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

In accordance with Office Code of Georgia Annotated (O.C.G.A.) § 36-81-3, budgets are legally adopted for the general fund and the enterprise fund.

During the last weeks of the year, budget requests are prepared for each department based on the activities of the current year with anticipated changes for the next year including needed capital expenditures. The budget requests are submitted to the Council at a scheduled meeting. The council formally adopts an annual appropriated budget for the general fund. This budget is adopted on a departmental basis. The City manager is authorized to transfer budgeted amounts within departments. The Council adopts a flexible budget for the water and sewer fund. The expense estimates of the flexible budget are not appropriations but approved plans.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data (Continued)

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Therefore, no adjustments are necessary to convert to the actual GAAP data from the budgetary basis. Budgeted amounts reflected in the accompanying budget and actual comparison are as originally adopted or as amended by the Council. Individual amendments are not material in relation to the original appropriations. All annual appropriations, which are not expended, lapse at year-end.

The level of control (the level at which expenses may not exceed appropriations without approval of the Commission) for each legally adopted annual operating budget is at the department level. This is the level of comparison which is presented in the basic financial statements.

E. Encumbrance Accounting

Encumbrance accounting is a system used to track outstanding purchase commitments that have not yet resulted in liabilities. Encumbrances are commitments related to unperformed (executory) contracts for goods or services. When a purchase order or commitment is placed, the governmental unit reduces the amount of budgetary authority remaining in the budget category and records an outstanding encumbrance. When the goods or services have been received, the encumbrance balance is reduced and the expenditure and a liability is recorded. The City of Chatsworth, Georgia does not use encumbrance accounting.

F. Cash and Cash Equivalents

For cash flow reporting purposes in proprietary funds, cash includes petty cash, amounts in demand deposits and cash equivalents. The City of Chatsworth considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents on December 31, 2012.

G. Investments

All investments are made in accordance with O.C.G.A. § 36-83-4 and are reported at fair value, which is based on quoted market price.

The City of Chatsworth, Georgia is authorized to invest in the following:

1. Obligations of the State of Georgia or of other states;
2. Obligations issued by the United States government;
3. Obligations fully insured or guaranteed by the United States government or a United States government agency;
4. Obligations of any corporation of the United States government;
5. Prime bankers' acceptance;
6. The local government investment pool established by Georgia Code Section 36-83-8;
7. Repurchase agreements; and
8. Obligations of other political subdivisions of the State of Georgia.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., primary roads, secondary roads, drainage dating back to 1985), 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 $500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized.

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

Asset Class	Years
Building and improvements	40
Fire department	7–12
Furniture and equipment	7
Police department	5–12
Public works	7–12
Infrastructure	20

Capital assets of the enterprise fund are accounted for in the enterprise fund and are stated at cost or estimated fair market value when original cost is not available. Major additions are capitalized while maintenance and repairs, including the cost of minor items of property, are expensed as incurred. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The Commission defines its capitalization policy as assets costing $1,000 and having an estimated useful life of greater than three years.

Donated capital assets are valued at their estimated fair value on the date donated. The City's policy is to capitalize the net interest cost incurred during the year resulting from borrowings utilized to finance the construction of assets.

I. Inventories

Supplies and materials are recorded as expenditures at the time items are purchased and are not inventoried at year-end due to lack of materiality.

Inventory: Water and Sewer Fund - Inventories of materials and supplies are stated at cost, which approximates market, using the first-in, first-out (FIFO) method. The Commission uses the consumption method of accounting for inventory, in that as materials are purchased they are coded to inventory and then as subsequently used they are expensed in the fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Transactions

Interfund Receivables and Payables - Short-term advances between funds are not eliminated but accounted for in the appropriate interfund receivable and payable accounts classified as due to other funds and due from other funds in the fund financial statements, and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Transactions Between Funds - Transactions between funds that would be treated as revenues, expenditures or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expense in the fund that is reimbursed. All other legally authorized transfers are not eliminated but treated as transfers and are included as other financing sources or uses in the governmental funds and reported after non-operating revenues or expenses in the enterprise funds.

K. Compensated Absences

Employees eligible for leave include full time employees and part-time employees that have been employed by the Council for one year and work a minimum of 20 hours per week. During the first 10 years of employment, a full time employee accrues 10 days of vacation leave per year. After 10 years, the employee shall accrue 15 days of vacation leave. The maximum of unused vacation leave a full time and eligible part-time employee may accumulate after 10 years is 160 hours.

Unused vacation benefits and compensatory time will be paid to the employees upon separation from the City. Accumulated unpaid compensated absence amounts are accrued when incurred by the City in the government-wide and proprietary fund financial statements. The liability of the proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees. In governmental fund types, a liability is recorded only if the benefit has matured and is expected to be liquidated with expendable available financial resources.

L. Restricted Net Position

The City records restrictions of net position, which are maintained for specific purposes.

M. Long-term Obligations

In the governmental-wide financial statements, long-term debt and other long term obligations are reported as liabilities on the Statement of Net Position.

N. Property Taxes

Property tax levies by the City are assessed by the Assessor of Property in Murray County and collected by the City. Property tax revenues are recognized on the modified accrual basis.

The property tax calendar applicable to the current fiscal year is as follows:

Lien date	October 20, 2012
Levy date	October 20, 2012
Tax bills mailed	October 20, 2012
Payment due date	October 20, 2012 through February 28, 2013
Delinquency date	March 1, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Grants

During the year ended December 31, 2012, the City of Chatsworth received no federal grants.

P. Prepayment of Expenditures

Government fund expenditures for insurance and similar services extending over more than one accounting period are not allocated between accounting periods but accounted for as expenditure in the period disbursed.

Q. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted (GAAP) in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

R. Bond Premium, Discount and Issuance Costs

Bond premiums, discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums and discounts are presented as an addition and reduction, respectively, of the face amount of bonds payable in the statement of net position. Issuance costs are expensed when paid in the statement of revenues, expenses, and changes in net position.

S. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applies.

T. New Governmental Accounting Standards Board (GASB) Standards

For the year ended December 31, 2012, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 63 identified net position as the residual of all other elements presented in a statement of financial position. Statement No. 65 establishes accounting and financial reporting standards that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

NOTE 2. DEPOSITS

It is the City's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation insurance.

Following is a reconciliation of the City's deposit balances as of December 31, 2012:

Cash and cash equivalents, unrestricted	$1,480,561
Cash and cash equivalents, restricted	5
Certificates of deposit, restricted (maturities over 3 months)	2,500,000
Cash deposited with financial institutions	$3,980,566

At year-end, the carrying amount of the City's deposits was $3,971,354 and the bank balances were $4,021,062. Of the bank balance, $500,000 was covered by federal depository insurance and $3,521,062 of the balance was covered by collateral held in the pledging institution's trust departments in the City's name. O.C.G.A. § 45-8-12 and the City policy require collateral at 110% of pledged public fund deposits to be held in the City's name by the trust department. Deposits as categorized above include cash on hand of $250 held by the City.

Interest Rate Risk – As of December 31, 2012, 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 risks.

As of the report date, a formal investment policy, in compliance with O.C.G.A. § 36-83-4, was implemented by the City to provide maximum security and rate of return while meeting the daily cash flow demands of the City. The policy sets forth the guidelines and objectives necessary to achieve a prudent cash and investment management program.

Custodial Credit Risk for Deposits –Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2012, all the City's funds which were uninsured were collateralized as required by O.C.G.A. § 45-8-12 and as defined by GASB pronouncements.

NOTE 2. DEPOSITS (Continued)

Water Works Commission

Following is a reconciliation of the Commission's deposit balances as of December 31, 2012:

Cash and cash equivalents, unrestricted	$1,464,273
Cash and cash equivalents, restricted	1,584,339
Certificates of deposit, unrestricted	1,510,907
Cash deposited with financial institutions	$4,559,519

On December 31, 2012, the Commission had the following investments:

Investment	Maturities	Fair Value
Certificate of Deposit	May 14, 2013	$ 673,500
Certificate of Deposit	November 28, 2013	368,582
Certificate of Deposit	December 27, 2013	268,820
Certificate of Deposit	March 19, 2014	99,898
Certificate of Deposit	September 12, 2014	100,107
Total		$1,510,907

Interest Rate Risk –The Commission 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.

Custodial Credit Risk: Deposits – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes, and the Commission's policy, require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2012, all the Commission's bank balances were properly collateralized as defined by State statutes.

NOTE 3 – PROPERTY TAXES

A summary of property taxes receivable on December 31, 2012 is as follows:

	Current Levy	Prior Levies	Total
General Fund			
Property Taxes Recivable	$ 110,496	$ 23,181	$ 133,677
Allowance for Uncolelctible Taxes	(1,125)	(236)	(1,361)
Net	$ 109,371	$ 22,945	$ 132,316

NOTE 4 – RECEIVABLES

General Fund

The following amounts are due from other governments on December 31, 2012:

Murray County, Georgia – SPLOST	$ 63,328
State of Georgia – Sales Tax	90,423
Total	$153,751

Proprietary Funds

Customer accounts receivable include billed but uncollected amounts and unbilled receivables based on a pro rata amount of subsequent monthly billings. Allowances for doubtful accounts are maintained based on historical results adjusted to reflect current conditions.

Receivables, including the applicable allowances for uncollectible accounts, consisted of the following on December 31, 2012:

Receivables:	
Accounts receivable	$631,649
Less allowance for uncollectibles	9,709
Net accounts receivables	$621,940
Interest	4,108
Net total receivables	$626,048

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

Due to	Due to	Total
Proprietary Funds	SPLOST Capital Projects Fund	$ 63,328

NOTE 6 – INTERFUND TRANSFERS

A summary of interfund transfers is as follows:

Transfer Out	Transfer In	Amount
General Fund	SPLOST Capital Projects Fund	$ 433,748

NOTE 7 - DEFERRED INFLOWS OF RESOURCES

The governmental funds financial statements report a separate section for deferred inflows of resources. This financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City only has one type of item, under a modified accrual basis of accounting, qualifies for reporting in this category. Therefore, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

At the end of the current fiscal year, the component of deferred inflows of resources reported in the governmental funds is as follows:

	Unavailable	Total
Property Taxes	$66,556	$66,556

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 595,407	$ -	$ -	$ 595,407
Total	595,407	-	-	595,407
Capital assets being depreciated:				
Buildings and improvements	2,047,757	-	-	2,047,757
Infrastructure	2,953,730	47,500	-	3,001,230
Equipment	1,085,724	18,402	(72,485)	1,031,641
Furniture and fixtures	86,417	3,300	(20,409)	69,308
Vehicles	1,887,085	-	(25,469)	1,861,616
Total	8,060,713	69,202	(118,363)	8,011,552
Less accumulated depreciation for:				
Buildings and improvements	(996,488)	(51,565)	-	(1,048,053)
Infrastructure	(1,818,280)	(121,712)	-	(1,939,992)
Equipment	(595,019)	(76,744)	56,665	(615,098)
Furniture and fixtures	(68,659)	(4,198)	17,109	(55,748)
Vehicles	(1,274,809)	(139,938)	25,269	(1,389,478)
Total	(4,753,255)	(394,157)	99,043	(5,048,369)
Total capital assets, being depreciated - net	3,307,458	(324,955)	(19,320)	2,963,183
Governmental activities, capital assets - net	$ 3,902,865	$ (324,955)	$ (19,320)	$ 3,558,590

NOTE 8 - CAPITAL ASSETS (Continued)

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

General government	$140,324
Public safety	153,657
Public works	70,876
Public welfare	28,678
Building inspection	622
Total	$394,157

Water Works Commission

Business-Type activities	Beginning Balance	Increases	Retirements & Transfers	Ending Balance
Capital assets not being depreciated:				
Land	$ 649,734	$ -	$ -	$ 649,734
Construction in progress	13,651	137,923	(13,651)	137,923
Total	663,385	137,923	(13,651)	787,657
Capital assets being depreciated:				
Buildings	5,423,311	-	-	5,423,311
Infrastructure	39,912,897	145,708	13,651	40,072,256
Machinery and equipment	2,817,256	67,925	-	2,885,181
Furniture and fixtures	116,610	13,149	-	129,759
Vehicles	455,658	60,499	(61,230)	454,927
Total	48,725,732	287,281	(47,579)	48,965,434
Less accumulated depreciation for:				
Buildings	(2,916,999)	(141,348)	-	(3,058,347)
Infrastructure	(16,009,424)	(1,032,666)	-	(17,042,090)
Machinery and equipment	(929,710)	(136,927)	-	(1,066,637)
Furniture and fixtures	(86,416)	(14,116)	-	(100,532)
Vehicles	(319,698)	(33,722)	61,230	(292,190)
Total	(20,262,247)	(1,358,779)	61,230	(21,559,796)
Total capital assets, being depreciated - net	28,463,485	(1,071,498)	13,651	27,405,638
Business-type activities, capital assets - net	$ 29,126,870	$ (933,575)	$ -	$ 28,193,295

NOTE 9 – RETIREMENT PLANS

Plan Description

The retirement plans, City of Chatsworth and Water Works Commission Retirement Plan (the Plan), provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Plan is affiliated with Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City and Commission are commingled with contributions made by other members of GMEBS for investment purposes. The City and Commission do not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by calling (404) 688-0472 or writing to:

Georgia Municipal Association
Risk Management and Employee Benefit Services
201 Pryor Street, SW
Atlanta, Georgia 30303

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by Commissioners, the Plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All employees, who work twenty hours or more per week, are eligible to participate after one year. Benefits start vesting after five years of service and are fully vested after ten. However, as of April 1, 2010 and for thirty days thereafter, the City and Commission allowed employees with less than ten years of service to opt out of the defined benefit plan and enroll in a new defined contribution pension plan. Subsequently, as of April 30, 2010, the defined benefit plan was closed to new membership, and all new employees of the City and Commission are automatically enrolled in the new defined contribution pension plan.

Plan Description (Continued)

At July 1, 2012, the date of the most recent actuarial valuation, there were 108 participants in the Plan consisting of the following:

	City	Water Works
Retirees and beneficiaries currently receiving benefits	14	11
Terminated vested participants	10	9
Active employees	40	24
Total	64	44

NOTE 9 – RETIREMENT PLANS (Continued)

Funding Policy

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution described below. For 2012, the actuarially determined employer contribution rate of covered payroll was 6.33% for the City and 9.94% for the Commission. Participating employees are not required to make contributions to the cost of the Plan.

For the year ended December 31, 2012, the recommended and actual contributions were $121,008 and $112,712 of City and Commission, respectively. The recommended contribution was determined as part of the July 1, 2011 actuarial valuation using the projected unit credit actuarial cost method. Actuarial assumptions include a 7.75% rate of return on investments and projected salary increases of 3.5% plus age and service base merit increases. The period for amortizing the remaining unfunded actuarial accrued liability is 10 years as a level dollar amount. This amortization period is closed for this plan year. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten year period.

Annual Pension Cost

The City and Commission's annual pension cost and net pension obligation for the pension plan and related assumption for the Plan year ended December 31, 2012 are as follows:

Basis of Valuation

Current Valuation Date	July 1, 2012
Annual Return on Invested Plan Assets	7.75%
Projected Annual Salary Increases	3.5% plus age and service based merit increases
Expected Annual Inflation	3.5%
Actuarial Value of Assets	$1,979,634
Actuarial Funding Method	Projected Unit Credit
Amortization Method	Closed Level dollar for remaining unfunded liability
Remaining Amortization Period	Varies for the bases, with a net effective period of 10 years

NOTE 9 – RETIREMENT PLANS (Continued)

Historical trend information for the City and Commission, to the extent available, is presented as follows:

Trend Information
City of Chatsworth, Georgia

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/07	$ 98,126	$ 98,126	100%	$ -
12/31/08	105,996	105,996	100%	-
12/31/09	154,678	154,678	100%	-
12/31/10	154,678	154,678	100%	-
12/31/11	127,336	127,336	100%	-
12/31/12	121,008	121,008	100%	-

Trend Information
Water Works Commission

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/07	$ 74,806	$ 74,806	100%	$ -
12/31/08	84,890	84,890	100%	-
12/31/09	117,003	117,003	100%	-
12/31/10	144,972	144,972	100%	-
12/31/11	125,653	125,653	100%	-
12/31/12	112,712	112,712	100%	-

The following is a schedule of funding progress, using the actuarial cost method:

Unit	Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as A Percentage of Covered Payroll
City of Chatsworth	7/1/12	$ 1,979,634	$ 2,250,213	$ 270,579	87.98%	$ 1,712,052	15.80%
Water Works Commission	7/1/12	1,785,190	2,059,606	274,416	86.68%	1,055,240	26.01%

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 being made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2012.

The required schedule of funding progress can be found immediately following the notes to the financial statements presenting 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.

NOTE 10 – LONG TERM DEBT

Water Work Commission

Long-term debt activity for the year ended December 31, 2012 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 325,000	$7,180,000	$ (325,000)	$ 7,180,000	$ -
Premium	-	138,367	-	138,367	
Revenue bonds payable, net	325,000	7,318,367	(325,000)	7,318,367	-
Notes payable	7,957,679	-	(7,026,433)	931,246	508,865
Compensated absences	56,850	76,484	(73,918)	59,416	59,416
Total long-term liabilities	$ 8,339,529	$7,394,851	$ (7,425,351)	$ 8,309,029	$ 568,281

Revenue Bonds

In September 2012, the Commission issued Water and Sewer Refunding and Improvement Revenue Bonds, Series 2012 to prepay its outstanding loans with the Georgia Environmental Finance Authority (GEFA) and to acquires, construct and equip extensions, additions, and improvements to its utility system. The bonds bear interest at rates ranging from 2.00 – 3.00% and mature in 2030.

Revenue bond debt service requirements to maturity are as follows:

Fiscal year ending December 31,	Principal	Interest	Total
2013	$ -	$ 180,335	$ 180,335
2014	110,000	168,625	278,625
2015	230,000	166,425	396,425
2016	390,000	161,825	551,825
2017	400,000	154,025	554,025
2018-2022	2,125,000	646,181	2,771,181
2023-2027	2,360,000	406,156	2,766,156
2028-2020	1,565,000	93,375	1,658,375
Total	$7,180,000	$1,976,947	$9,156,947

Defeasance of Debt

The Commission has defeased certain outstanding revenue bonds by placing funds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Commission's financial statements. On December 31, 2012, the outstanding amount of bonds considered defeased is $250,000.

NOTE 10 – LONG TERM DEBT (Continued)

Notes Payable

In 2009, the Commission incurred debt to the City of Chatsworth, Georgia to repay two (2) of the Commission's outstanding loans with GEFA. This note payable, including the original balance, is as follows on December 31, 2012:

Interest Rate	Term	Due Date	Original Balance
3.00%	6 years	2015	$ 1,500,000

In 2011, the Commission incurred debt to the City of Chatsworth, Georgia to repay one of the Commission's outstanding loans with GEFA. This note payable, including the original balance, is as follows on December 31, 2012:

Interest Rate	Term	Due Date	Original Balance
1.50%	2 years	2013	$ 275,000

The Commission's debt service requirements to maturity on notes payable to the City of Chatsworth, Georgia are as follows:

	Principal	Interest	Total
Fiscal year ending December 31,			
2013	$ 508,865	$ 18,915	$ 527,780
2014	264,431	9,055	273,486
2015	157,950	1,583	159,533
Total	$ 931,246	$ 29,553	$ 960,799

NOTE 11 – DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

The City and Commission's Profit Sharing Plan is a single employer defined contribution plan established and administered by MetLife for all City and Commission employees. The City and Commission automatically contribute 3% of an eligible employee's salary. Additionally, the City and Commission match 100% for each dollar of employee contributions up to 3% of the employee's salary. Employees are not required to contribute to the plan. Employees are eligible after one year of employment and are fully vested after five years. Plan provisions and contributions requirements are established and may be amended by the Board of Commissioners.

For the year ending December 31, 2012, number of plan members and the employer contributions are as follow:

	Number of Plan Members	Employer Contributions
City	2	$ 2,934$
Commission	14	36,435

NOTE 11 – DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS (Continued)

The City and Commission have a deferred compensation plan (the plan) for its employees under Internal Revenue Code section 457. The plan allows any full time employee to voluntarily defer receipt of up to 25 percent of their gross compensation, not to exceed the maximum annual contribution established by the Internal Revenue Service. The City and Commission do not contribute to the plan. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are solely the property and rights of the participants in the deferred compensation plan. The MetLife plan is the current plan offered to new employees; while the Nationwide plan is the original plan with no new participants entering.

For the year ending December 31, 2012, employee contributions are as follow:

	Nationwide	MetLife
City	$22,579	$ 1,263
Commission	36,600	33,627

The City and Commission's deferred compensation plan do not meet the criteria in NGCA statement 1, Governmental Accounting and Financial Reporting Principles, paragraph 26(3)(8), for inclusion in the financial statements of the City.

NOTE 12 – CAPITALIZATION OF INTEREST COSTS

During construction periods, interest costs related to construction loans are capitalized.

NOTE 13 – NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

No transactions occurred involving investing, capital and financing activities that affect recognized assets or liabilities but do not result in cash receipts or payments during the year.

NOTE 14 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2012 the City did not engage in any related party transactions with immediate family members of the Commissioners.

NOTE 15 – RISK MANAGEMENT

City

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together in prior years with other municipalities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

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

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

Settled claims in the three prior years have not exceeded the coverages.

In 2010, the City's coverage for workers' compensation was changed to a private insurance company with limits of coverage set at $1,000,000.

The City also carries insurance for all other risks of loss, including general liability and errors and omission coverage through a private insurance company. The City carries commercial insurance for risks of loss related to property, general liability, equipment, automobiles and crime to cover torts, theft of and damage to assets, injuries, errors and omissions, and natural disaster. Significant losses are covered by the commercial insurance underlying these programs. Deductibles are generally set at $1,000.

There have been no significant reductions of insurance coverage from coverage in the prior year, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 15 – RISK MANAGEMENT (Continued)

Water Works Commission

The Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has joined together with other municipalities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

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

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

Settled claims in the past three years have not exceeded the coverages.

The Commission also carries insurance for all other risks of loss, including general liability and errors and omission coverage through a private insurance company. The Commission carries commercial insurance for risks of loss related to property, general liability, equipment, automobiles and crime to cover torts, theft of and damage to assets, injuries, errors and omissions, and natural disaster. Significant losses are covered by the commercial insurance underlying these programs.

There have been no significant reductions of insurance coverage from coverage in the prior year, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 16 - SEGMENT INFORMATION

The City of Chatsworth Water Works Commission issues revenue bonds to support construction of and improvements to the water and sewer systems. The Water and Sewer Fund financial statements are presented as the only proprietary fund of the City. Services provided by the fund are described in Note 1.

NOTE 17 – RESTRICTED ASSETS

Certain proceeds of the revenue bonds and GEFA loans, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable covenants.

NOTE 18 – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties is a member of the Northwest Georgia Regional Commission (NWGRC) and is required to pay annual dues thereto.

During its year ended December 31, 2012, the City paid $4,038 in such dues. Membership in NWGRC is required by the Official Code of Georgia Annotated (O.C.G.A.) Section 50-8-34 which provides for the organizational structure of the NWGRC in Georgia. The NWGRC Board membership includes the chief elected official of each municipality of the area. O.C.G.A. 50-8-39.1 provides that the member governments are liable for any debts or obligations of NWGRC. There were no related party transactions during the year. Separate financial statements may be obtained from:

Northwest Georgia Regional Commission
P.O. Box 1798
Rome, Georgia 30720

The Commission is a member of the Northwest Georgia Regional Water Resources Partnership. This is an organization of water withdrawal permit holders, local governments, and other advocacy entities with an interest in water issues. The purpose of the Water Resources Partnership is a regional organization of water related interests in Northwest Georgia for monitoring and contributing to the development of federal, state, and local policy; educating the citizenry on water related issues; funding and managing regional water-related activities, and coordinating the activities of federal, state and local entities. Separate financial statements may be obtained from:

Northwest Georgia Regional Water Resources Partnership
P. O. Box 1793
Rome, Georgia 30162-1793

NOTE 19 – CONTINGENT LIABILITIES

The City is subject to legal actions in the ordinary course of business. In the opinion of management and legal counsel, the City has adequate legal defenses and insurance coverage with respect to such actions and the liability, if any, which might result from these proceedings, would not have a material adverse effect on the financial position of the City.

NOTE 20 – EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHATSWORTH, GEORGIA
Schedule of Funding Progress for Retirement Plans
Year Ended December 31, 2012

Funded Status

The tables below sets forth required supplementary information to be disclosed in the schedule of funding progress. The items presented are based on the actuarial valuation date:

City of Chatsworth
Schedule of Funding Progress for Retirement Plan

Actuarial Valuation Date	Acturial Value of Assets (a)	Actuarial Accrued Liabililty (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payoll [(b - a) / c]
07/01/12	$ 1,979,634	$ 2,250,213	$ 270,579	87.98%	$ 1,712,052	15.80%
07/01/11	1,809,306	2,121,708	312,402	85.28%	1,728,732	18.07%
07/01/10	1,602,138	1,966,113	363,975	81.49%	1,760,194	20.68%
05/01/09	1,112,498	1,762,389	649,891	63.12%	1,722,321	37.73%
05/01/08	1,412,818	1,626,639	213,821	86.86%	1,690,004	12.65%
05/01/07	1,265,877	1,405,973	140,096	90.04%	1,590,938	8.81%

City of Chatsworth Water Works Commission
Schedule of Funding Progress for Retirement Plan

Actuarial Valuation Date	Acturial Value of Assets (a)	Actuarial Accrued Liabililty (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payoll [(b - a) / c]
07/01/12	$ 1,785,190	$ 2,059,606	$ 274,416	86.68%	$ 1,055,240	26.01%
07/01/11	1,809,306	2,121,708	312,402	85.28%	1,728,732	18.07%
07/01/10	1,602,138	1,966,113	363,975	81.49%	1,760,194	20.68%
05/01/09	1,112,498	1,762,389	649,891	63.12%	1,722,321	37.73%
05/01/08	1,412,818	1,626,639	213,821	86.86%	1,690,004	12.65%
05/01/07	1,265,877	1,405,973	140,096	90.04%	1,590,938	8.81%

Effect of plan changes on actuarial accrued liability

The plan changes have decreased the rate of growth of the accrued liability

Effect of plan changes on recommended contributions

The plan provisions valued and the actuarial assumptions and cost methods are changed and have reduced the recommended contribution for the City from $154,678 to $126,901.

OTHER SUPPLEMENTARY INFORMATION

CITY OF CHATSWORTH, GEORGIA
Schedule of Property Taxes Receivable
General Fund
December 31, 2012

Year of Levy	
2012	$ 110,496
2011	11,121
2010	6,203
2009	5,385
2008	333
2007	139
Total property taxes receivable	133,677
Less: allowance for uncollectibles	(1,361)
Net property taxes receivable	$ 132,316

CITY OF CHATSWORTH, GEORGIA
Schedule of Changes in Property Taxes Receivable
General Fund
December 31, 2012

	Taxes Receivable December 31, 2011	Taxes Levied	Pickups and (Releases)	Collections	Taxes Receivable December 31, 2012
2012	$ -	$ 824,109	$ -	$ (713,613)	$ 110,496
2011	98,629	-	(8,754)	(78,754)	11,121
2010	12,550	-	1,388	(7,735)	6,203
2009	6,831	-	172	(1,618)	5,385
2008	3,593	-	-	(3,260)	333
2007	139	-	131	(131)	139
Total	$ 121,742	$ 824,109	$ (7,063)	$ (805,111)	$ 133,677

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STATISTICAL INFORMATION

CITY OF CHATSWORTH, GEORGIA
Statistical Information
December 31, 2012

I. SCHEDULE OF TAX RATES AND ASSESSMENTS

Tax Year	City Tax Rate	Assessment	Levy
2012	0.2265%	$ 363,845,033	$ 824,109
2011	0.2342%	314,529,098	736,627
2010	0.2342%	343,099,471	803,539
2009	0.2342%	403,028,618	943,893
2008	0.2342%	415,229,760	972,468
2007	0.2342%	411,075,631	962,739
2006	0.2350%	414,666,411	974,466

II. BILLING RATES

The water and sewer rates for the City of Chatsworth for the year ended December 31, 2012 were:

Water Rates

Meter Size	Minimum Usage (Gallons)	Minimum Monthly Bill
5/8"	0 - 2500	$10.00 minimum
5/8"	> 2500	$2.90 minimum per 1000 gal.
1"	0 - 4000	$22.00 minimum
Above 1" up to 2"	0 - 5000	$35.00 minimum
2"	0 - 6000	$42.00 minimum
3"	0 - 9000	$62.00 minimum
4"	0 - 10000	$84.00 minimum
6"	0 - 20000	$124.00 minimum
8"	0 - 25000	$160.00 minimum

Sewer Rates

Meter Size	Minimum Usage (Gallons)	Minimum Monthly Bill
Gallons	0 - 2500	$10.00 minimum
Gallons	All over 2500	$3.10 per 1000 gal.

Water rates outside the City are 180% of City rates.

No outside sewer available except by special permit from the Mayor and City Council.

As of December 31, 2012, the City had 11,350 water customers and 2,314 sewer customers.

INTERNAL CONTROL AND COMPLIANCE SECTION

BRC

B. RODNEY CROWE, CPA, P.C.
Certified Public Accountant

B. RODNEY CROWE, CPA,CFP

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Certified Public Accountants
Georgia and Tennessee Societies
of Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and Council Members
City of Chatsworth, Georgia
Chatsworth, Georgia

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

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as item 12-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Chatsworth, 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.*

City of Chatsworth, Georgia's Response to Findings

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

Purpose of this Report

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



B. Rodney Crowe, CPA, P.C.
Ringgold, Georgia
June 28, 2013

CITY OF CHATSWORTH, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2012

SUMMARY OF AUDIT RESULTS

Opinion:

Unqualified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Deficiencies:

One significant deficiency was identified.

Material Noncompliance:

No instances of noncompliance or other matters were disclosed.

CITY OF CHATSWORTH, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2012

INTERNAL CONTROL DEFICIENCY

Finding 11-1 – Accounting Expertise

Condition
The City of Chatsworth, Georgia has a small staff of accounting personnel, who do not have sufficient training to prepare their own financial report.

Effect
Potential misstatement can occur without being discovered.

Cause
The City of Chatsworth, Georgia is a relatively small organization with limited financial resources.

Criteria
SAS 115 states in part that the lack of accounting personnel with sufficient "training" to properly design controls over the year-end financial reporting process, including the actual "preparation of financial statements" is a "significant deficiency".

Recommendation
The City should consider hiring additional personnel supervised by the mayor and council members to perform the year-end financial reporting process. The costs of hiring additional personnel are justified by the benefits from accurate year-end financial reporting.

View of responsible officials and planned corrective actions
The City's management concurs with the finding. The mayor, council members, and the city clerk meet monthly to monitor the financial activities. Therefore, the City's management feels that relying on the independent outside CPA as a part of the system is still a very important and very reliable way to safeguard assets and report the City's transactions to its citizens.

The City's management is also taking full responsibility for the preparation and fair presentation of the financial statements, and they are deemed to possess suitable skills, knowledge, and/or experience to evaluate the adequacy of any services in this area provided by the auditor.

CITY OF CHATSWORTH, GEORGIA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2012

Finding 11-1 – Accounting expertise

Status – Still in effect

Finding 11-2 – Segregation of duties

Status – The City's management has implemented procedures to mitigate the effects of this condition by engaging services from an outside third party to administer fines collected.

SPECIAL LOCAL OPTION SALES TAX

BRC

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Certified Public Accountant

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American Institute of Certified Public Accountants
Georgia and Tennessee Societies of Certified Public Accountants

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

Independent Auditor's Report

Honorable Mayor and Council members
City of Chatsworth, Georgia
Chatsworth, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Chatsworth, Georgia for the year ended December 31, 2012. This schedule is the responsibility of the City of Chatsworth, Georgia's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax based on our audit.

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

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

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

B. Rodney Crowe, CPA, PC

B. Rodney Crowe, CPA, P.C.
Ringgold, Georgia
June 28, 2013

CITY OF CHATSWORTH, GEORGIA
Schedule of Projects Constructed with Special Purpose
Local Option Sales Tax – 2007 Cycle
Year Ended December 31, 2012

Project #	Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Percent of Completion
				Prior Years	Current Year	Total	
1	Repair and Expand Sewer Services	$ 3,000,000	$ 3,000,000	$ 2,182,132	$ 433,748	$ 2,615,880	87%
		$ 3,000,000	$ 3,000,000	$ 2,182,132	$ 433,748	$ 2,615,880	