TOWN OF CLERMONT, GEORGIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

WALKER & ASSOCIATES, CPA'S, PC

TOWN OF CLERMONT, GEORGIA
FISCAL YEAR ENDED JUNE 30, 2013
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Walker and Associates
Certified Public Accountants

Independent Auditor's Report

To the Town Council
Town of Clermont, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Clermont, Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Clermont, Georgia, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. However, the budgetary comparison information is presented on pages 16-17 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 Town of Clermont, Georgia's financial statements. The Schedule of Expenditures of Special Purpose Local Option Sales Tax, as required by O.C.G.A. 48-8-121as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Expenditures of Special Purpose Local Option Sales Tax is the responsibility of management and was derived from and relates 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Special Purpose Local Option Sales Tax is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2013, on our consideration of the Town of Clermont, 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 Town of Clermont's internal control over financial reporting and compliance.

Walker & Associates

Walker & Associates, CPA's, PC
Gainesville, Georgia
November 25, 2013

TOWN OF CLERMONT, GEORGIA

Statement of Net Position

June 30, 2013

	Primary Government	
	Governmental Activities	Total
Assets		
Cash	$ 351,494	$ 351,494
Receivables (net)	37,056	37,056
Prepaid items	4,470	4,470
Nondepreciable capital assets	59,040	59,040
Depreciable capital assets, net	335,516	335,516
Total assets	787,576	787,576
Deferred outflows of resources	-	-
Liabilities		
Accounts payable and other liabilities	8,390	8,390
Accrued expense	3,985	3,985
Unearned revenue	8,579	8,579
Total liabilities	20,954	20,954
Deferred outflows of resources	-	-
Net position		
Invested in capital assets	394,556	394,556
Restricted: Capital Projects	97,403	97,403
Unrestricted	274,663	274,663
Total net position	$ 766,622	$ 766,622

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

TOWN OF CLERMONT, GEORGIA

Statement of Activities

For the Year Ended June 30, 2013

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government Governmental Activities	Total
Primary government:						
Governmental activities						
General government	$ 285,771	$ 40,808	$ 8,156	$ 107,538	$ (129,269)	$ (129,269)
Culture and Recreation	11,941	-	-	-	(11,941)	(11,941)
Total governmental activities	297,712	40,808	8,156	107,538	(141,210)	(141,210)
Total primary government	$ 297,712	$ 40,808	$ 8,156	$ 107,538	(141,210)	(141,210)
General revenues:						
Taxes:						
Franchise tax					88,918	88,918
Sales taxes					117,225	117,225
Interest and investment earnings					727	727
Miscellaneous					27,212	27,212
Total general revenues					234,082	234,082
Change in net position					92,872	92,872
Net position - beginning					673,750	673,750
Net position - ending					$ 766,622	$ 766,622

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

TOWN OF CLERMONT, GEORGIA

Balance Sheet
Governmental Funds
June 30, 2013

Assets	General Fund	Capital Projects Fund	Total Governmental Funds
Cash	$ 272,413	$ 79,081	$ 351,494
Due from Other Governments	17,271	19,000	36,271
Receivables (net)	785	-	785
Prepaid items	4,470	-	4,470
Total Assets	294,939	98,081	393,020
Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows	$ 294,939	$ 98,081	$ 393,020
Liabilities			
Accounts Payable	$ 7,712	$ 678	$ 8,390
Unearned revenue	8,579	-	8,579
Total Liabilities	16,291	678	16,969
Deferred Inflows of Resources	-	-	-
Total Liabilities and Deferred Inflows	16,291	678	16,969
Fund Balance			
Nonspendable:			
Prepaid items	4,470	-	4,470
Restricted for:			
Capital Projects	-	97,403	97,403
Unassigned	274,178	-	274,178
Total Fund Balance	278,648	97,403	376,051
Total Liabilities, Fund Balance and Deferred Inflows	$ 294,939	$ 98,081	$ 393,020

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

TOWN OF CLERMONT, GEORGIA

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2013

Total fund balances - governmental funds	$	376,051
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets		729,195
Less: Accumulated depreciation		(334,639)
		394,556
Accrued compensated absences not reported in governmental funds.		(3,985)
Net position of governmental activities	$	766,622

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

TOWN OF CLERMONT, GEORGIA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Sales Taxes	$ 122,225	$ -	$ 122,225
Franchise Tax	88,918	-	88,918
Intergovernmental	2,850	107,500	110,350
Charges for Services	40,808	-	40,808
Interest	727	38	765
Contributions and donations	306	-	306
Miscellaneous	8,602	18,610	27,212
Total Revenue	264,436	126,148	390,584
Expenditures			
Current			
General Government	213,829	123,832	337,661
Culture and Recreation	11,941	7,220	19,161
Total Expenditures	225,770	131,052	356,822
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	38,666	(4,904)	33,762
Other financing sources (uses)			
Transfer in	-	-	-
Transfer out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net change in fund balance	38,666	(4,904)	33,762
Beginning fund balance	239,982	102,307	342,289
Ending fund balance	$ 278,648	$ 97,403	$ 376,051

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

TOWN OF CLERMONT, GEORGIA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

Net change in fund balances-total governmental funds	$	33,762
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		
This is the amount by which capital outlay ($88,571) exceeded depreciation ($28,911) in the current period.		59,660
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund financial statements.		
Compensated absence liability changed by this amount from prior year.		(550)
Net change in net position of governmental activities	$	92,872

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1-A The Reporting Entity

The Town of Clermont, Georgia is a municipal corporation governed by an elected mayor/council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

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

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

There are no entities which qualify as component units or potential component units of the Town of Clermont, Georgia.

1-B Basis of Presentation, Basis of Accounting

Basis of Presentation-Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

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

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

Measurement Focus, Basis of Accounting

Government-wide. The government-wide statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

Cash and Cash Equivalents

The Town considers short-term liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates to be cash equivalents. Only negotiable investments with original maturities of three months or less meet this definition. Nonnegotiable certificates of deposit are considered as cash equivalents.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources(expense/expenditure) until then. Currently the Town does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently the Town does not have any items that qualify for reporting in this category.

Receivables and Payables

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans.) All other outstanding balances between funds are reported as "due to / from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade receivables, including those for the Town of Clermont, Georgia, are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable

allowance for uncollectibles, including those for the Town of Clermont, Georgia. At June 30, 2013, no estimate of uncollectibles has been made.

Investments

No investments have been authorized by the Town of Clermont at June 30, 2013.

Property Tax Calendar

The Town of Clermont does not levy a property tax.

Inventories and Prepaid Items

Inventories are valued at the lower of cost or market. In the governmental funds, the cost of inventory items are recorded as expenditures at the time of purchase. The Town maintains no significant inventories. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than $1,000 (amount not rounded) and an estimated useful life in excess of two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capabilities or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building Improvements	15
Public domain infrastructure	50
System infrastructure	30
Vehicles	7
Office equipment	7
Computer equipment	5

Compensated Absences

The Town's employee policy does not permit the vesting of vacation or sick leave benefits, and, therefore, all vacation or sick leave must be taken in the calendar year it is earned. However, at June 30, 2013, the Town of Clermont did have an accrued liability which must be used before December 31, 2013, or forfeited. Refer also to Note 6. Compensated Absences.

Estimates

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

Retirement Plans

The Town of Clermont, Georgia, offers its employees with more than one year of service a defined contribution Section 457 deferred compensation plan, named "Town of Clermont Section 457 Deferred Compensation Plan". The Town is the administrator of the plan and, under the authority as plan administrator, may amend the plan at its discretion. The plan is funded only by employee deferrals which are 100% vested when made. The Town does not have a contribution requirement and only employees, through written request, may change deferral amounts. Contributions to the plan for the year ending June 30, 2013, were $0.00.

Note 1-D Fund Equity

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

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

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

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town 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 Town Council through the adoption of a resolution. The Town Council also may modify or rescind the commitment.

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

Unassigned - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The Town reports positive unassigned fund balances only in the general fund. Negative unassigned fund balances may be reported in all funds.

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

Committed
Assigned
Unassigned

Net Position - Net position represents the difference between assets plus deferred outflows less liabilities and deferred inflows. Net Position is displayed in three components: (1) net investment in capital assets, which consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Town has spent) for the acquisition, construction or improvement of those assets; (2) Restricted assets reduced by liabilities and deferred inflows related to those assets; and (3) Unrestricted assets which is the net amount of assets, deferred outflows,

liabilities and deferred inflows that are not included in the determination of net investment in capital assets or the restricted asset component of net position.

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

Note 2. Cash [Primary government]

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

The Town's custodial credit risk policy is to require all banks to collateralize the Town's deposits at 110% of account balances and to have a perfected security agreement supporting the collateral agreement with the bank. The Town does not have a foreign credit risk.

At June 30, 2013, all bank deposits were insured or fully collateralized.

Note 3. Receivables [Primary government]

The following is a summary of amounts due from others at June 30, 2013.

Receivable from:	Fund Level	Government-Wide Level
Governmental funds:		
Due from other governments	$ 36,271	$ 36,271
Accounts receivable, net	785	785
	$ 37,056	$ 37,056

Note 4. Litigation [Primary government]

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

Note 5. Risk Management [Primary government]

The Town purchases Workers Compensation Insurance through the Georgia Municipal Association Worker's Compensation Self Insurance Fund. The Town's policy year starts on January 1st and ends on December 31st of each year. The premium for the policy year of 2013 was $7,480. The Town also purchases General Liability Insurance through the Georgia Interlocal Management Agency. The Town's policy year starts May 1st and ends April 30st of each year. The premium for the year ending 2013 was $8,619.

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

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. With respect to other types of risk including torts, theft or destruction of assets, errors of omissions, and acts of God, the Town has purchased sufficient

insurance and, therefore, transferred risk of loss. There have been no settlements in the previous three years in excess of insurance.

Note 6. Compensated Absences [Primary government]

Governmental Accounting Standards Board Statement 16, effective for fiscal years beginning after June 15, 1993, requires that such benefits be accrued when: (1) the employer's obligation to employees' right to receive compensation for future benefits is attributable to employees' service already rendered; (2) the obligation relates to rights that vest or accumulate; (3) payment of the compensation is probable; and (4) the amount can be reasonably estimated. The Town's employee policy does not allow the accrual of vacation or sick leave after the calendar year end in which it is earned. However, at June 30, 2013, $3,985 had been earned by the employees and must be used before December 31, 2013. This liability for compensated absences will be paid out of the General Fund. This accrued liability is reported on the government-wide financial statement in the Statement of Net Position.

Note 7. Joint Ventures

Under Georgia law, the Town, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission (RC) and is required to pay annual dues thereto. During its year ended June 30, 2013, the Town paid $860 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each County and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from: Georgia Mountains Regional Commission, 1310 W. Ridge Road, Gainesville, Georgia 30501.

Note 8: Changes in Long Term Debt (Primary Government)

Governmental Activities	Outstanding 07/01/12	Additions	Reductions	Outstanding 06/30/13	Amount Due in One Year
Compensated Absences	$ 3,435	$ 550	$ -	$ 3,985	$ 3,985
Net Governmental Activities	$ 3,435	$ 550	$ -	$ 3,985	$ 3,985

Typically the Town uses the general fund to liquidate this long term debt.

Note 9. Capital Assets [Primary government]

Depreciation expense was charged to functions in the statement of activities as follows:
Governmental activities:

General government	$28,911

Capital asset activity for the year ended June 30, 2013, was as follows:

	Primary Government			
	Balances 07/01/12	Increases	Decreases	Balances 06/30/13
Governmental activities:				
Capital assets not being depreciated				
Land and improvements	$ 13,128	$ 45,912	$ -	$ 59,040
Total land and improvements	$ 13,128	$ 45,912	$ -	$ 59,040
Capital assets being depreciated				
Buildings	$ 390,685	$ 32,670	$ -	$ 423,355
Vehicles	61,628	-	-	61,628
Equipment	175,183	9,989	-	185,172
Total capital assets being depreciated	627,496	42,659	-	670,155

Less accumulated depreciation for:				
Buildings	145,522	12,878	-	158,400
Vehicles	53,802	4,426	-	58,228
Equipment	106,404	11,607	-	118,011
Total accumulated depreciation	305,728	28,911	-	334,639
Total governmental capital assets being depreciated, net	$ 321,768	$ 13,748	$ -	$ 335,516

Note 10. Budgets [Primary government]

The following are Governmental Funds for which budgets were legally adopted, at the legal level of control:

	Budgeted Expenditures and other Financing Uses	Actual Expenditures and other Financing Uses	Actual in Excess of Appropriations
General Government	$ 234,830	$ 213,829	-
Culture and Recreation	$ 15,700	$ 11,941	-

Note 11. Subsequent Events

Subsequent events have been evaluated through November 25, 2013.

TOWN OF CLERMONT, GEORGIA
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Budget to GAAP Differences	Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary	Over / (Under)	GAAP Basis	Over / (Under)
Revenues						
Sales Taxes	$ 124,100	$ 124,100	$ 122,225	$ -	$ 122,225	$ (1,875)
Franchise Taxes	32,000	32,000	42,296	-	42,296	10,296
Intergovernmental	-	-	2,850	-	2,850	2,850
Charges for Services	92,900	92,900	87,430	-	87,430	(5,470)
Interest	30	30	727	-	727	697
Contributions	-	-	306	-	306	306
Miscellaneous	1,500	1,500	8,602	-	8,602	7,102
Total Revenues	250,530	250,530	264,436	-	264,436	13,906
Expenditures						
Current Operating:						
General Government	234,830	234,830	213,829	-	213,829	(21,001)
Culture & Recreation	15,700	15,700	11,941	-	11,941	(3,759)
Total Expenditures	250,530	250,530	225,770	-	225,770	(24,760)
Other Financing Sources (uses)						
Net change in fund balances	-	-	38,666	-	38,666	38,666
Fund Balance - beginning	239,982	239,982	239,982	-	239,982	-
Fund Balance - ending	$ 239,982	$ 239,982	$ 278,648	$ -	$ 278,648	$ 38,666

TOWN OF CLERMONT, GEORGIA
Notes to Required Supplementary Information
on Budgetary Accounting and Control
Year Ended June 30, 2013

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

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

(a). Prior to June 1, the Town Clerk submits to the Town Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

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

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

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

Budgetary Accounting

The annual operating budgets of governmental funds are prepared and presented on the modified accrual basis of accounting.

Budget Requirements

There were no amendments to the original budget by the Town Council during the fiscal year ending June 30, 2013.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Mayor and Town Council
Town of Clermont
Clermont, Georgia

We have audited 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, the financial statements of the governmental activities and each major fund of the Town of Clermont, Georgia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Clermont's basic financial statements, and have issued our report thereon dated November 25, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiency, 2013-1 described in the accompanying Schedule of Findings and Responses to be a material weakness

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town of Clermont, Georgia in a separate letter dated November 25, 2013.

The Town of Clermont's Response to Findings

The Town of Clermont, Georgia's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Town of Clermont, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 result 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.

Walker & Associates

Walker & Associates, CPA's, PC
Gainesville, Georgia
November 25, 2013

Town of Clermont, Georgia

Schedule of Findings and Responses
For the Year Ended June 30, 2013

Findings – Financial Statement Audit

Internal Control

2013-1	Condition:	The Town does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.
	Criteria:	The Town should possess the ability to prepare its own financial statements or have access to someone with adequate technical training and education to review the financial statements prepared by others.
	Cause:	The Town staff does not have the accounting skills necessary to prepare financial statements in accordance with accounting principles generally accepted in the United States.
	Effect:	The Town does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.
	Recommendation:	The Town should consider employing someone or contracting with another entity to review the financial statements prepared by the auditor.
	Response:	The Town agrees with the finding. However, as described in the Town's Plan of Corrective Action, it is economically not feasible to respond to this finding.

TOWN OF CLERMONT, GEORGIA
Schedule of Special Purpose Local Option Sales Tax
Estimated Cost and Expenditure Summary
For the Year Ended June 30, 2013

Project Description	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current	Total
SPLOST III					
Water and Sewer Project	$ 63,100	$ 63,100	$ 63,385	$ -	$ 63,385
SPLOST V					
Capital Projects for Recreation and Other	$ 110,819	$ 110,819	$ 96,075	$ 23,799	$ 119,874
Roads	26,075	26,075	21,437	500	21,937
	$ 136,894	$ 136,894	$ 117,512	$ 24,299	$ 141,811
SPLOST VI					
Municipal Buildings	$ 550,000	$ 550,000	$ 75,360	$ 72,574	$ 147,934
Park Facilities	150,000	150,000	13,181	4,923	18,104
Roads and Sidewalks	250,000	250,000	148,704	29,256	177,960
	$ 950,000	$ 950,000	$ 237,245	$ 106,753	$ 343,998