CITY OF CRAWFORDVILLE, GEORGIA

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

CITY OF CRAWFORDVILLE, GEORGIA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

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Baird & Company *CPAs, LLC*
CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL ADVISORS

John P. Gillion, Jr., CPA, PFS, CFS, CVA, CFP®
Brenda F. Carroll, CPA, CFE, CIA, CICA, FCPA, CSEP, PFS
Rep E. Whiddon, CPA, CVA

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Crawfordville, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Crawfordville, Georgia as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Crawfordville, Georgia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 Crawfordville, Georgia as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2012, on our consideration of the City of Crawfordville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and page 19 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 text. 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 the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
May 14, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Crawfordville

An Equal Opportunity Employer and Provider

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Valeria Bowman
Bobby Chapman
Josephine Chapman
Vivian Stewart

CLERK & TREASURER
Trudy Avera

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

Financial Highlights

Overview of the Financial Statements

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

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

The *statement of activities* follows the *statement of net assets* and presents information showing the changes in the net assets during the fiscal year. The statement presents all underlying events, which give rise to the change, regardless of the timing of the related cash flows. Some included items, such as accounts payable, will produce changes in cash in a future fiscal period.

The *notes* provide additional detail concerning the financial activities and financial balances of Crawfordville, Georgia. Additional information about Crawfordville's accounting practices and investments are some of the items included in the *notes*.

Both of the government-wide financial statements distinguish functions of the City of Crawfordville 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 Crawfordville include general government, public safety, health and welfare, public works, and culture and recreation. The business-type activities of the City of Crawfordville include a water distribution system, sewer and solid waste collection.

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 Crawfordville, 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 Crawfordville 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.

The City of Crawfordville maintains one governmental fund, referred to as the General Fund. The General Fund is a major fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances.

The City of Crawfordville maintains one proprietary fund. Proprietary funds report, in great detail, the same information presented as business-type activities in the government-wide financial statements for the Enterprise Fund, governing utilities. The Enterprise Fund is a major fund.

The City of Crawfordville adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Government-wide Financial Analysis

The largest portion of the City's net assets reflects its cash position at the end of the year, and the value of its water and sewer system. The cash position is generally highest at year-end, because of December tax receipts. The assets of the utilities are capital assets used to provide services to citizens, and hence not available for future spending.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Crawfordville, assets exceeded liabilities by $3,888,267 at the close of fiscal year 2010 and assets exceeded liabilities by $3,752,048 at the close of the most recent fiscal year.

The General Fund is the chief operating fund of the City of Crawfordville. At the end of fiscal year 2010, unreserved, undesignated fund balance of the General Fund was $171,728. At the end of the most recent fiscal year, unreserved, undesignated fund balance of the General Fund was $177,740, which was also the total fund balance. The fund balance increased by $ 6,012 from year-end 2010.

General Fund Budgetary Highlights

The bond covenants for the City's revenue bonds require the City to establish a Reserve Fund; i.e. a bond sinking fund. This Reserve Fund is to be funded by the City depositing monthly an amount equal to one-tenth of the monthly bond payment ($200.30). At the end of ten years, the Reserve Fund would be fully funded and City payments to it would cease. In 2006, the City elected to fully fund the Reserve Fund from currently available reserves. This decision prevents the $200.30 monthly cost from having to be passed on to our customers.

Capital Asset and Debt Administration

The City General Fund has no long-term debt. The City Enterprise Fund has 40-year Sewer Revenue Bonds in the amount of $420,921 in 2011. The City began the year with two outstanding long-term water system improvement loans from Georgia Environmental Finance Authority (GEFA), which amounted to $236,538 and $95,137, respectively, at the end of 2011.

Anticipated Expenditures in Future Years

After placing its new wastewater treatment plant in service, the City found that our aging sewer system has many pipes that are cracking, broken, clogged with roots, and sagging. Initially, these problems were masked by the State's prolonged drought, but the above normal rainfall in 2009 highlighted them. We had an almost overwhelming infusion of storm water into our sewer system. In 2009, the City began conducting a video inspection to determine the condition of some of its sewer lines. This effort was terminated, after the tool used to clear the pipe for inspection became hung outside a broken pipe, twice. The City of Crawfordville continued to make spot repairs to its sewer lines, but large-scale rehabilitation of existing sewer lines required grant funds. The City filed a sewer rehabilitation grant application in April 2010 and was awarded a Community Development Block Grant (CDBG) in the amount of $500,000. The City also appealed to Congressman John Barrow for assistance in rehabilitating sewer lines in the downtown area. He responded to our appeal by placing an earmark of $350,000 for the City of Crawfordville in the FY2009 Omnibus Appropriations Bill. This grant requires the City to provide matching funds equal to forty-five percent of the cost of the project. However, the matching funds may be from another grant. Access to the earmarked federal funds required the City to apply through the EPA grant process. Once the City obtained a CDBG, an application for the EPA grant was filed in December 2010. This grant application received EPA approval, in 2011. The City received bids on the sewer rehabilitation project and awarded a contract, in December 2011. Sewer rehabilitation under this contract will begin in the first quarter of 2012 and complete by September 2012.

Direct Concerns or Questions to:

J. H. Milner
Mayor
City of Crawfordville
P. O. Box 8
Crawfordville, GA 30631

Telephone: (706) 456-2605

City of Crawfordville Net Assets
December 31, 2011

	Governmental Activitites	Business-type Activities	Total
	2011	2011	2011
Currrent Assets	$ 204,026	$ 195,811	$ 399,837
Capital Assets	610,632	3,607,544	4,218,176
Total Assets	814,658	3,803,355	4,618,013
Liabilities (All Current)	26,286	839,679	865,965
Net Assets	$ 788,372	$ 2,963,676	$ 3,752,048

	2010	2010	2010
Currrent Assets	$ 198,651	$ 179,357	$ 378,008
Capital Assets	724,892	3,630,308	4,355,200
Total Assets	923,543	3,809,665	4,733,208
Liabilities (All Current)	26,923	818,018	844,941
Net Assets	$ 896,620	$ 2,991,647	$ 3,888,267

	Governmental Activitites	Business-type Activities	Total
	2011	2011	2011
Revenues			
Program Revenues:			
Charges for services	$	239,254	$ 239,254
Operating grants and contributions	-	19,616	19,616
Capital grants and contributions		31,846	31,846
General Revenues:			
Property taxes	123,808		123,808
Sales taxes	27,029		27,029
Real estate transfer taxes	50		50
Motor vehicle taxes	11,428		11,428
Franchise taxes	27,937		27,937
Business and occupational taxes	27,945		27,945
Other taxes	10,603		10,603
Interest income	1,551	2,840	4,391
Total Revenues	230,351	293,556	523,907
Expenses			
Government Activities			
General Government	156,787		156,787
Judicial	6,038		6,038
Public Safety	62,559		62,559
Culture and Recreation	6,450		6,450
Public works	103,899		103,899
Water Enterprise Fund		301,653	301,653
Total Expenses	335,733	301,653	637,386
Transfers	(2,866)	(19,874)	(22,740)
Change in Net Assets	(108,248)	(27,971)	(136,219)
Net Assets, Beginning of Year	896,620	2,991,647	3,888,267
Prior period adjustment	-	-	-
Net Assets, Beginning of Year, restated	896,620	2,991,647	3,888,267
Net Assets, End of Year	$ 788,372	$ 2,963,676	$ 3,752,048

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BASIC FINANCIAL STATEMENTS

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CITY OF CRAWFORDVILLE, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 23,080	$ 50,844	$ 73,924
Investments	50,501	62,001	112,502
Receivables			
Taxes	130,445	-	130,445
Customer accounts	-	52,270	52,270
Restricted assets:			
Temporarily restricted:			
Investments	-	30,696	30,696
Capital assets not being depreciated	10,172	55,201	65,373
Capital assets, net of accumulated depreciation	600,460	3,552,343	4,152,803
Total assets	814,658	3,803,355	4,618,013
LIABILITIES			
Accounts payable	23,668	66,875	90,543
Accrued liabilities	2,618	12,056	14,674
Customer deposits	-	8,152	8,152
Noncurrent liabilities:			
Due within one year	-	32,024	32,024
Due in more than one year	-	720,572	720,572
Total liabilities	26,286	839,679	865,965
NET ASSETS			
Invested in capital assets, net of related debt	610,632	2,799,747	3,410,379
Restricted for debt service	-	30,696	30,696
Unrestricted	177,740	133,233	310,973
Total net assets	$ 788,372	$ 2,963,676	$ 3,752,048

The notes to the financial statements are an integral part of this statement.

CITY OF CRAWFORDVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 161,010	$ 4,223	$ -	$ -	$ (156,787)	$ -	$ (156,787)
Judicial	6,038	-	-	-	(6,038)	-	(6,038)
Public safety	62,559	-	-	-	(62,559)	-	(62,559)
Public works	103,899	-	-	-	(103,899)	-	(103,899)
Culture & recreation	6,450	-	-	-	(6,450)	-	(6,450)
Total governmental activities	339,956	4,223	-	-	(335,733)	-	(335,733)
Business-type activities:							
Utility Enterprise Fund	279,612	239,254	19,616	31,846	-	11,104	11,104
Total business-type activities	279,612	239,254	19,616	31,846	-	11,104	11,104
Total primary government	$ 619,568	$ 243,477	$ 19,616	$ 31,846	(335,733)	11,104	(324,629)
General revenues:							
Property taxes					152,738	-	152,738
Sales taxes					24,263	-	24,263
Motor vehicle taxes					11,836	-	11,836
Penalty & deliquent taxes					2,766	-	2,766
Business and occupational taxes					27,945	-	27,945
Fines & forfeitures					9,252	-	9,252
Interest Income					1,551	(19,201)	(17,650)
Transfers					(2,866)	(19,874)	(22,740)
Total general revenues and transfers					227,485	(39,075)	188,410
Change in net assets					(108,248)	(27,971)	(136,219)
Net assets, beginning of year					896,620	2,991,647	3,888,267
Net assets, end of year					$ 788,372	$ 2,963,676	$ 3,752,048

The notes to the financial statements are an integral part of this statement.

CITY OF CRAWFORDVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General Fund
ASSETS	
Cash and cash equivalents	$ 23,080
Investments	50,501
Property taxes receivable	130,445
Total assets	$ 204,026
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	$ 23,668
Accrued liabilities	2,618
Total liabilities	26,286
Fund Balances	
Unassigned	177,740
Total fund balances	177,740
Total liabilities and fund balances	$ 204,026

The notes to the financial statements are an integral part of this statement.

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

Total fund balances - governmental funds	$ 177,740
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	10,172
Buildings and improvements	225,675
Furniture, fixtures, and equipment	178,973
Infrastructure	495,158
Accumulated depreciation	(299,346)
Total capital assets	610,632
Net assets of governmental activities	$ 788,372

The notes to the financial statements are an integral part of this statement.

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

	General Fund
REVENUES	
Taxes, property	$ 152,738
Taxes, other than property	66,810
Licenses and permits	4,223
Fine	9,252
Interest income	1,551
Total revenues	234,574
EXPENDITURES	
Current operating	
General government	123,304
Judicial	6,038
Public safety	62,559
Public works	27,345
Culture and recreation	6,450
Total expenditures	225,696
Excess of revenues over expenditures	8,878
OTHER FINANCING SOURCES (USES)	
Transfers in	22,703
Transfers out	(25,569)
Total other finaning sources	(2,866)
CHANGE IN FUND BALANCE	6,012
FUND BALANCE, BEGINNING OF YEAR	171,728
FUND BALANCE, END OF YEAR	$ 177,740

The notes to the financial statements are an integral part of this statement.

CITY OF CRAWFORDVILLE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - governmental funds	$ 6,012
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. For the current year, these amounts were:	
Depreciation expense	(114,260)
Change in net assets of governmental activities	$ (108,248)

The notes to the financial statements are an integral part of this statement.

CITY OF CRAWFORDVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Amended and Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes, property	$ 159,400	$ 151,137	$ 152,738	$ 1,601
Taxes, other than property	69,489	68,566	66,810	(1,756)
Licenses and permits	3,688	2,825	4,223	1,398
Fines and forfeitures	-	9,000	9,252	252
Interest	2,841	2,841	1,551	(1,290)
Total revenues	235,418	234,369	234,574	205
EXPENDITURES				
Current operating				
General government	139,378	123,454	123,304	(150)
Judicial	-	6,286	6,038	(248)
Public safety	64,547	68,310	62,559	(5,751)
Public works	31,399	34,629	27,345	(7,284)
Culture and recreation	-	6,674	6,450	(224)
Total expenditures	235,324	239,353	225,696	(13,657)
(Deficiency) Excess of revenues over expenditures	94	(4,984)	8,878	13,862
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	22,703	22,703
Transfers Out	(3,000)	(3,000)	(25,569)	(22,569)
CHANGE IN FUND BALANCE	$ (2,906)	$ (7,984)	6,012	$ 13,862
FUND BALANCE, BEGINNING OF YEAR			171,728	
FUND BALANCE, END OF YEAR			$ 177,740	

The notes to the financial statements are an integral part of this statement

CITY OF CRAWFORDVILLE, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	Business-type activities Enterprise Funds Water and Sewer Fund
ASSETS	
Current assets	
Cash	$ 50,844
Investments	92,697
Accounts receivables	52,270
Total current assets	195,811
Non-current assets	
Construction in process	55,201
Capital assets	4,866,363
Less accumulated deprecation	(1,314,020)
Total capital assets (net of accumulated depreciation)	3,552,343
Total non-current assets	3,607,544
Total assets	3,803,355
LIABILITIES	
Current liabilities	
Accounts payable	66,875
Accrued liabilities	12,056
Customer deposits	8,152
Long-term debt, current portion	32,024
Total current liabilities	119,107
Non-current liabilities	
GEFA loan 2002, non-current portion	32,023
GEFA subsidy, non-current portion	181,439
USDA loan, non-current portion	415,767
GEFA loan 2011, non-current portion	91,343
Total non-current liabilities	720,572
Total liabilities	839,679
NET ASSETS	
Invested in capital assets, net of related debt	2,799,747
Restricted for debt service	30,696
Unrestricted	133,233
Total net assets	2,963,676
Total liabilities and net assets	$ 3,803,355

The notes to the financial statements are an integral part of this statement.

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

	Business-type activities Enterprise Funds Water and Sewer Fund
Operating revenues	
Charges for services	$ 239,254
Total operating revenues	239,254
Operating expenses	
General administration	393
Bad debts	3,834
Personnel services	34,078
Supplies	9,742
Repairs and maintenance	18,404
Utilities	6,552
Solid waste collection expense	42,927
Miscellaneous	27,268
Depreciation and amortization	136,414
Total operating expenses	279,612
Operating loss	(40,358)
Nonoperating revenues (expenses)	
Interest income	2,840
Interest expense	(22,041)
CDBG grant funds	31,846
GEFA subsidy	19,616
Total nonoperating revenues (expenses)	32,261
Loss before contributions and transfers	(8,097)
Transfers in (out)	
Transfers in	2,829
Transfers (out)	(22,703)
Total transfers	(19,874)
CHANGE IN NET ASSETS	(27,971)
NET ASSETS, BEGINNING OF YEAR	2,991,647
NET ASSETS, END OF YEAR	$ 2,963,676

The notes to the financial statements are an integral part of this statement.

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

	Business-type Activities Enterprise Funds
	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers and users	$ 231,152
Cash paid to suppliers for goods and services	(29,667)
Cash paid to employees	(58,889)
Net cash provided by operating activities	142,596
Cash flows from noncapital and financing activities:	
Transfer from other funds	25,569
Transfer to other funds	(22,703)
Net cash provided by noncapital and financing activities	2,866
Cash flows from capital and related financing activities:	
Capital contributions	31,846
Payment of long-term debt	(22,041)
Interest paid on capital debt	(149,755)
Net cash used by capital and related financing activities	(139,950)
Cash flows from investing activity:	
Interest received	2,840
Purchase of investments	(2,759)
Net cash provided by investing activities	81
Net increase in cash and cash equivalents	5,593
Cash and cash equivalents, beginning of year	45,251
Cash and cash equivalents, end of year	$ 50,844
Reconciliation of net income to net cash provided (used) by operating activities:	
Operating (loss)	$ (40,358)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Increase in (decrease in):	
Depreciation	136,414
Accounts receivable	(8,102)
Accounts payable	62,259
Customer deposits	(5,509)
Accrued liabilities	(2,108)
Net cash provided by operating activities	$ 142,596
Noncash investing, capital, and financing activities:	
GEFA subsidy	$ 19,616

The notes to the financial statements are an integral part of this statement

CITY OF CRAWFORDVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Crawfordville, Georgia (the City) accounts for its financial position and results of operations in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in which case, GASB prevails.

The City of Crawfordville has adopted GASB Statement No. 34 *Basic Financial Statements and Management Discussion and Analysis for the State and Local Governments*. This statement established financial reporting requirements for state and local governments within the United States. As a part of this statement, there is a reporting requirement regarding the local government infrastructure (roads, bridges, curbs, etc.). This requirement permits a Phase III government an option of reporting the government's infrastructure retroactively. The City of Crawfordville, which is a phase III government, has opted not to report its infrastructure retroactively.

The Reporting Entity

The City operates under a City Council and Mayor form of government and provides the following services: public improvements and general and administrative services. In addition, the City operates water and sewer public utilities for the incorporated and surrounding areas.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. Component units are legally separate organizations for which the elected officials of the primary government (The City of Crawfordville) are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the application of these criteria, no potential component units are included in the reporting entity.

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize primary activities as either governmental or business-type. The government-wide statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from activities during the fiscal year, whereas the fund financial statements focus is on the major funds. Non-major funds are summarized into a single column. Neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements.

In the government-wide Statement of Net Assets, both the governmental and business-type activities column are presented on a consolidated basis by column. The activities are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both gross and net costs by functional category, which are being supported by general government revenues. The Statement of Activities reduces gross costs by related program revenues. Program revenues include (a) charges for services which encompass fees charged to external parties for the use of goods or services, (b) operating grants and contributions which are restricted to the operational requirements of a function or business-activity, (c) capital grants and contributions which are restricted to capital projects of a function or business-type activity. These program revenues are directly associated with the function (public safety, streets, and so forth) or a business-type activity in which it benefits. The net costs of the function or business-type activity are covered by general gross revenues which include taxes, interest and investment earnings.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City does not currently support an indirect cost allocation system. No administrative fee is charged by the General Fund to the other operating fund.

Under grant contract agreements, the City may use funds to support a specific program by the use of cost-reimbursement grants, block grants, and general revenues. As expenses for a specific program are incurred, the City may use both restricted and unrestricted assets. The City's policy is to use cost-reimbursement grant revenues first followed by the funds from block grants and general revenues.

The governmental fund's major fund statements are presented on a current financial resource and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statement's governmental column, a reconciliation is presented following each statement. The reconciliation explains the adjustments necessary to transform the fund based financial statements into governmental column of the government-wide presentation.

Internal service funds of a government are presented in the summary form as part of the proprietary fund financial statements. The financial statements of internal service funds are consolidated into the governmental column of the government-wide presentation; however, the City of Crawfordville does not currently have any internal service funds.

Fiduciary funds are presented in the fund financial statements by type. These funds are not incorporated in the government-wide statements. The City of Crawfordville does not currently have any fiduciary funds. GASB Statement No. 34's focus is on the City as a whole and the fund financial statements of governmental and business-type activities, as well as the fiduciary funds. Each presentation provides valuable information which can be analyzed to enhance the usefulness of the information.

Basis of Presentation-Fund Accounting
The accounts of the City are organized on the basis of individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

The City reports the following major governmental fund:

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

The City reports the following major enterprise fund:

Water and Sewer Fund – The fund accounts for the operations of the water and sewer system. The fund is financed and operated similar to a private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the City on a continuing basis be financed or recovered primarily through user charges.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City does not currently have any non-major funds for the governmental or enterprise funds.

Basis of Accounting and Measurement Focus
Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets, referred to as the flow of current financial resources measurement focus. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are other financing sources.

Local option sales taxes and special local option sales taxes are considered measurable when they become due and payable to the City from intermediary collecting governments and are recognized as revenue at that time.

Property taxes, business and occupation taxes, and investment earnings are recorded when earned, which is when they are both measurable and available. It is anticipated that taxes recognized as revenues will be collected soon enough after year end to pay current expenditures and liabilities, with such a period not exceeding sixty days, except under unusual circumstances. Intergovernmental revenues received but not earned are recorded as deferred revenues. Licenses, fines, penalties, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized when due. The City does not account for prepaid expenses or inventories, because of the small amounts of these items.

Government-wide and Proprietary Fund Financial Statements
The government-wide financial statements and the proprietary fund financial statements are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and their expenses are recognized when they are incurred, which is the flow of economic resources measurement focus.

Unbilled Water and Sewer Fund utility services receivable are recorded at year end. Debt incurred by the enterprise fund which is expected to be paid with the resources of that fund is reported in that fund as a liability.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and delivering goods in connection with the proprietary funds on-going operations. Operating revenues include charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets and the Budgetary Process
An annual balanced budget is legally adopted for the General Fund. The City utilizes the following procedures in establishing the budgetary information reflected in the financial statements:

Prior to November 1, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the City to obtain taxpayer comments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prior to November 1, the budget is legally enacted through passage of an ordinance. The departmental budgets are established as the legal level of budgetary control at which any revisions that alter the total expenditures of any department or fund must be approved by the City Council. Budget amendments are adopted at the regular City Council meeting during the budget year.

The General Fund annual budget is legally adopted on the modified accrual basis, and differs from generally accepted accounting principles in its classification and order in which line item expenditures are presented. Formal budgetary integration is employed as a management control device during the year for the General Fund. Under Georgia law, appropriations lapse at year end.

The City prepares an annual flexible budget for the Water and Sewer Fund, with revenues sufficient to operate and maintain the system and service its bonded indebtedness.

Budget amendments are adopted at the regular City Council meetings during the budget year.

Encumbrances
Encumbrances represent commitments related to unperformed contracts for goods or services. The City does not utilize encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, as a reservation of fund balances.

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

Investments
Investments are stated at cost or amortized cost, which approximates market value.

Prepaid Expenses
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded in the year of purchase in both government-wide and fund financial statements.

Inventory
All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Inventories in the Water and Sewer Fund consist primarily of supplies and are not considered material to the financial statements.

Inter-fund Transactions
During the fiscal year, transactions occur between individual funds. These inter-fund receivables/payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and "internal balances" on the Statement of Net Assets of the government-wide financial statements

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statement presentation,

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued

Capital Assets
Property, plant and equipment are stated at original cost. Where cost could not be determined from available records, estimated historical cost was used to record the estimated value of the assets. Capital assets acquired or constructed for general governmental operation are capitalized at cost. Interest costs on governmental fund construction projects are capitalized.

Assets acquired by gift or bequest are recorded at their estimated fair market value at the date of transfer. The extent, if any, to which such estimated amounts differ from actual values has not been determined.

Additions and improvements which significantly extend the useful life of an asset are capitalized. Minimum capitalization costs are $10,000 for all categories of capital assets. Other costs incurred for repairs and normal maintenance that do not add to the value of the capital asset or materially extend capital assets' lives are capitalized. Property, plant and equipment acquired for proprietary funds are capitalized in the respective funds to which it applies.

Property, plant and equipment constructed or acquired with Special Purpose Local Option Sales Tax Capital Projects Fund resources will be transferred to either the General Fund or the Water and Sewer Fund upon completion of the various projects as inter-fund transfers.

GASB Statement No. 34 required the reporting and depreciation of new infrastructure expenditures effective with the beginning of the implementation year. Infrastructure assets consist of certain improvements other than buildings, such as roads, sidewalks, and bridges. Infrastructure capital assets acquired after December 31, 2001 are recorded. The City has opted to depreciate these assets, since these assets will necessarily be limited, and a system of inventorying, preserving and maintaining them has not been implemented. Thus the modified approach to depreciation has not been elected.

Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated useful lives of each major class of depreciable capital assets are as follows:

	Years
Buildings	25-30
Building improvements	25-30
Equipment	5-10
Vehicles	3-5
Specialized use equipment	2-10
Utility systems	10-75
Infrastructure	25-75

Compensated Absences
It is the City's policy to not permit employees to accumulate earned but not used vacation and sick pay benefits. There is no liability for unpaid accumulated vacation or sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City.

Fund Equity
The fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

As of December 31, 2011, the City had the following investments and maturities:

Investments	Maturity	Fair Value	Credit Rating
Primary Government			
Certificates of deposit	March 23, 2013	$ 50,501	-
Business - Type Activities			
Certificates of deposit	March 23, 2013	$ 66,721	
Certificates of deposit	August 9, 2012	25,976	-
Total Business - Type Activities		92,697	
Total		$ 143,198	

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

Custodial Credit Risk – Deposits – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, The City of Crawfordville 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 (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 City had $205,890 of deposits with financial institutions, which is insured by the FDIC.

Custodial Credit Risk – Investments – Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. State statutes require all 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.

Concentration of Credit Risk - The City places no limit on the amount that the City may invest in any one issuer.

NOTE 3 - PROPERTY TAXES

Property taxes were attached as an enforceable lien on property as of January 01, 2011. Taxes were levied on or about November 20 for the calendar year on assessed property values. In 2011, the tax bills were mailed on December 17, 2010 and were due February 21, 2011. An allowance is not established for delinquent taxes because of the small amount of taxes receivable. The tax receivables are limited to properties located in the City of Crawfordville. Collectability of the taxes historically has not been affected by the local economy.

Property taxes are recognized as revenue when they become available and anticipated to be collected soon enough after year end to pay current expenditures and liabilities. A summary of the tax levy is as follows:

Millage rate	16.79 mills (net of rollbacks)
Tax digest	$ 6,577,690
Tax levy	$ 110,439

Taxes receivable at December 31, 2011 totaled $130,445.

NOTE 4 – CHANGE IN CAPITAL ASSETS

A summary of changes in capital assets, based on information currently available is as follows:

	Balance December 31, 2010	Additions	Deletions	Balance December 31, 2011
Governmental Activities				
Capital assets not being depreciated				
Land	$ 10,172	$ -	$ -	$ 10,172
Total capital assets not being depreciated	10,172	-	-	10,172
Capital assets being depreciated				
Infrastructure	495,158	-	-	495,158
Buildings and improvements	225,675	-	-	225,675
Furniture, fixtures and equipment	178,973	-	-	178,973
Total capital assets being depreciated	899,806	-	-	899,806
Less: accumulated depreciation				
Infrastructure	(101,797)	(62,843)	-	(164,640)
Buildings and Improvements	(46,272)	(28,565)	-	(74,837)
Furniture, fixtures, and equipment	(37,017)	(22,852)	-	(59,869)
Total	(185,086)	(114,260)	-	(299,346)
Net capital assets being depreciated	714,720	(114,260)	-	600,460
Governmental activities capital assets - net	$ 724,892	$ (114,260)	$ -	$ 610,632

Depreciation expense was charged to functions as follows:

General government	$ 37,706
Public works	76,554
Total	$ 114,260

NOTE 4 – CHANGE IN CAPITAL ASSETS - Continued

Business-type capital asset activity for the year ended December 31, 2011, was as follows:

	Balance December 31, 2010	Additions	Deletions	Balance December 31, 2011
Business-Type Activities				
Capital assets not being depreciated				
Construction in progress	$ -	$ 55,201	$ -	$ 55,201
Total capital assets not being depreciated	-	55,201	-	55,201
Capital assets being depreciated				
Wastewater plant	1,673,377	-	-	1,673,377
Water system	536,802	66,858	-	603,660
Sewer system	2,564,326	-	-	2,564,326
Water and sewer equipment	25,000	-	-	25,000
Total capital assets being depreciated	4,799,505	66,858	-	4,866,363
Less: accumulated depreciation				
Infrastructure	(410,580)	(46,908)	-	(457,488)
Buildings	(760,892)	(88,805)	-	(849,697)
Equipment	(6,134)	(701)	-	(6,835)
Total	(1,177,606)	(136,414)	-	(1,314,020)
Net capital assets being depreciated	3,621,899	(205,970)	-	3,552,343
Business-type activities capital assets - net	$ 3,621,899	$ (150,769)	$ -	$ 3,607,544

Depreciation expense was charged to business-type activity as follows**:**

Water and sewer Fund	$ 136,414

NOTE 5 – COMMITMENTS AND CONTINGENT LIABILITIES

The City is subject to possible legal actions in the nature of claims for damages to persons and property, civil rights violations, and other similar types of actions arising in the course of normal City operations. In the opinion of City management, after consultation with legal counsel, the ultimate outcome of these possible legal actions will not have a material impact on the financial position of the City.

As of December 31, 2011, the City was not involved in any material matters of litigation, which, in the City attorney's opinion, would have a material effect on the City's financial statements.

NOTE 6 – INTERFUND TRANSACTIONS AND TRANSFERS

Due From/To Other Funds

There were no individual fund Interfund receivables and payables at December 31, 2011.

NOTE 7 – LONG-TERM DEBT

Governmental activities
For the year ended December 31, 2011 there was no long- term debt attributable to governmental activities.

Business-type activities
Debt under business-type activities consists of the following:

	Balance December 31, 2010	Additions	Deletions	Balance December 31, 2011	Due Within One Year
GEFA Loan 2002	$ 38,945	$ -	$ (3,461)	$ 35,484	$ 3,461
GEFA Subsidy	220,670	-	(19,616)	201,054	19,615
USDA Note	425,848	-	(4,927)	420,921	5,154
GEFA Loan 2011	100,114	-	(4,977)	95,137	3,794
	$ 785,577	$ -	$ (32,981)	$ 752,596	$ 32,024

A summary of notes payable as of December 31, 2011 follows:

Note payable to Georgia Environmental Finance Authority (GEFA), dated February 1, 2001, in the amount of $450,000. The note is comprised of two components, a note in the original amount of $67,000 payable without interest in 78 quarterly payments of $835 through 2022, and a subsidy amount of $382,500, which is amortized over the 78 quarters.

Balance Due at December 31, 2011	
GEFA Loan 2002	$ 35,484
Subsidy Portion	201,054
Total for GEFA Note	$ 236,538

Note payable to the Georgia Environmental Finance Authority (GEFA), dated July 12, 201, in the amount of $100,114 loan made under the Drinking Water State Revolving Fund (DWSRF) for the purchase of water improvements dated July 12, 2010. The total project cost is $100,114 with the DWSRF providing the entire amount. The note bears interest at the rate of 3% per annum with 240 monthly payments of $555.

Balance Due at December 31, 2011	
GEFA Loan 2011	$ 95,137
Total for GEFA Note	$ 95,137

NOTE 7 – LONG-TERM DEBT - Continued

Note payable to the United States Department of Agriculture (USDA), dated August 7, 2006, in the amount of $445,000. The note bears interest at the rate of 4.5% per annum with 480 monthly payments of $2,003.

Balance Due at December 31, 2011	
USDA Loan	$ 420,921
Total Debt	
GEFA Loan 2002	$ 236,538
USDA Loan	420,921
GEFA Loan 2011	95,137
Long-Term Total Debt	$ 752,596

Annual debt service requirements through maturity on the GEFA 2002 note payable are as follows:

For the year ending December 31	GEFA Subsidy	GEFA Note Principal	Interest	Total
2012	$ 19,616	$ 3,461	$ -	$ 23,077
2013	19,616	3,461	-	23,077
2014	19,616	3,461	-	23,077
2015	19,616	3,461	-	23,077
2016-2020	98,080	17,305	-	115,385
2021-2022	24,510	4,335	-	28,845
Total	$ 201,054	$ 35,484	$ -	$ 236,538

NOTE 7 – LONG-TERM DEBT - Continued

Annual debt service requirements through maturity on the USDA note payable are as follows:

For the year December 31	Principal	Interest	Total
2012	$ 5,154	$ 18,882	$ 24,036
2013	5,391	18,645	24,036
2014	5,639	18,397	24,036
2015	5,899	18,137	24,036
2016-2020	33,826	86,354	120,180
2021-2025	42,363	77,817	120,180
2026-2030	53,054	67,126	120,180
2031-2035	66,442	53,738	120,180
2036-2040	82,938	36,972	119,910
2041-2045	104,207	15,973	120,180
2046	16,008	273	16,281
Total	$ 420,921	$ 412,314	$ 833,235

Annual debt service requirements through maturity on the GEFA 2011 note payable are as follows:

For the year December 31	Principal	Interest	Total
2012	$ 3,794	$ 2,869	$ 6,663
2013	3,910	2,753	6,663
2014	4,029	2,634	6,663
2015	4,151	2,512	6,663
2016-2020	22,728	10,585	33,313
2021-2025	26,403	6,910	33,313
2026-2030	28,464	2,644	31,108
2031	1,658	8	1,666
Total	$ 95,137	$ 30,915	$ 126,052

The notes are expected to be paid with resources of the proprietary funds and thus are reported as liabilities of those funds.

NOTE 8 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts, theft of, damage to, and destructions of assets, errors and omissions, injuries to employees and natural disasters. The City manages its business risks through commercial insurance coverage. The risks borne by the City are general liability, surety, and workers compensation. The City does not provide health insurance coverage for its employees.

The City has joined together with other municipalities in the state as part of the Workers' Compensation Self-Insurance Fund. The Georgia Municipal Association administers the Workers' Compensation Self-Insurance Fund. As part of the Workers' Compensation Self-Insurance Fund, the City is obligated to pay all contributions and assessments as prescribed by the Fund, to cooperate with the Fund's agents and attorneys, to follow loss reduction policies established by the Fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the Fund being required to pay any claim of loss. The City is also to allow the Fund'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 the loss protection furnished by the Fund.

The Fund is to defend and protect the members of the Fund against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The Fund is to pay all costs assessed 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.

The general liability aggregate limit is $3,000,000, with a personal injury limit of $1,000,000. The employee blanket bond is $10,000. Workers compensation coverage is $100,000 for bodily injury for each occurrence, with a policy limit of $1,000,000. The Workers Compensation coverage is a participant in the Georgia Municipal Association Risk Pool, where in the City shares in the risk of any pro-rata losses incurred by the Pool.

During the year ended December 31, 2011, the City paid no claims. The City is not aware of any claims that the City is liable for (up to the $1,000 deductible) which were outstanding and unpaid at December 31, 2011. No provision has been made in the financial statements for the year ended December 31, 2011 for any estimate of potential unpaid claims

NOTE 9 - JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the thirteen county east central Georgia area, is a member of the CSRA Regional Commission (RC) and is required to pay annual dues thereto. Membership in a RC is required by the Official Code Annotated (O.C.G.A.) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC board membership includes the chief official of each county and municipality of the area. O.C.G.A. 50-8-39.1 provides that the member governments are liable for any debts or obligation of a RC. Separate financial statements may be obtained from:

CSRA Regional Commission
2123 Wrightsboro Road
Augusta, Georgia 30904-0800

NOTE 10 - RELATED ORGANIZATION

The Housing Authority of the City of Crawfordville is a related organization of the City of Crawfordville. The Housing Authority of the City of Crawfordville is registered with the Department of Community Affairs as a local government authority.

NOTE 12 - SUBSEQUENT EVENTS

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 14, 2012.

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SUPPLEMENTARY INFORMATION

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

To the Mayor and City Council
City of Crawfordville, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, information of City of Crawfordville, Georgia, as of and for the year ended December 31, 2011, which collectively comprise the City of Crawfordville, Georgia's basic financial statements and have issued our report thereon dated May 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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 responses that we consider to be significant deficiencies in internal control over financial reporting. See findings 2011-1 and 2009-1. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Crawfordville, 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 statements 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 Crawfordville'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 Crawfordville's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of City of Crawfordville, Georgia, in a separate letter dated May 14, 2012.

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

Baird & Company, CPAs, LLC

BAIRD & COMPANY CPAs, LLC
Certified Public Accountants

Augusta, Georgia
May 14, 2012

CITY OF CRAWFORDVILLE, GEORGIA
SUMMARY OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

I. Summary of Auditors' Results

A. An unqualified opinion was issued on the basic financial statements of the City of Crawfordville, Georgia for the year ended December 31, 2011.

B. Our audit of the basic financial statements disclosed no material weaknesses in internal controls over financial reporting.

C. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.

II. Findings related to the Audit of the Financial Statements of the City of Crawfordville, Georgia:

Finding: 2011-1

Criteria:
Account transactions should be correctly recorded prior to the start of the audit.

Condition:
During our audit, we found that certain accounts required adjustment to meet generally accepted accounting principles.

Cause:
Certain transactions were not correctly posted prior to the audit.

Effect:
The financial statements did not accurately report the balances and activity of the City for the reporting period.

Auditors' Recommendation:
To improve internal control, management should establish policies and procedures to record all transactions to properly reflect the account balances at the audited year end.

Management's response:
Management has made significant progress in recording the transactions of the City. Policies and procedures have been established to correct this deficiency.

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CITY OF CRAWFORDVILLE, GEORGIA
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

Prior Audit Findings Related to the Audit of the Financial Statements

The prior audit findings reported in the financial statements for the year ended December 31, 2009 are as follows:

Finding: 2009-1

Condition and Criteria:
There was a lack of segregation in the accounting departments for the City of Crawfordville.

Effect:
Initiation, approval, and recording of transactions are performed by the same person.

Cause:
The City has a limited number of staff available to properly segregate duties.

Auditors' Recommendation:
Management should adopt policies and procedures that promote adequate segregation of duties. When adequate segregation cannot be obtained due to limited staff size, management should adopt additional approval and oversight controls to reduce risk of misuse of the City's assets to an acceptable level.

Management's Response:
The City has separated functions to the maximum amount feasible with a two person staff. Additional procedures including management oversight have been implemented to mitigate the risk associated with the lack of segregation of duties.

Finding 2009-1 still remains as a finding as of December 31, 2011.