CITY OF CRAWFORDVILLE, GEORGIA

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

CITY OF CRAWFORDVILLE, GEORGIA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

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

John P. Gillion, Jr., CPA, PFS, CFS, CVA, CFP®
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Rep E. Whiddon, CPA, CVA

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Crawfordville, Georgia

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' 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 of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 assessing the accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and page 20 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crawfordville , Georgia's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 May 9, 2013, 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.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
May 9, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Crawfordville

An Equal Opportunity Employer and Provider

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Valeria Bowman
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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, 2012.

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

The *statement of activities* follows the *statement of net position* and presents information showing the changes in net position 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 $3,752,048 at the close of fiscal year 2011 and assets exceeded liabilities by $4,339,133 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 2011, unreserved, undesignated fund balance of the General Fund was $177,740. At the end of the most recent fiscal year, unreserved, undesignated fund balance of the General Fund was $188,834, which was also the total fund balance. The fund balance increased by $ 11,094 from year-end 2011.

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 $415,671 in 2012. The City began the year with two outstanding long-term water system improvement loans from Georgia Environmental Finance Authority (GEFA), which amounted to $213,547 and $93,548, respectively, at the end of 2012.

Major Expenditures This Year

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 required the City to provide matching funds equal to forty-five percent of the cost of the project. However, the matching funds could 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 began in the first quarter of 2012 and complete by November 2012.

Anticipated Expenditures in Future Years

As part of the transition from a wastewater pond to a wastewater treatment plant, the City of Crawfordville was required to remove environmental hazards relating to the abandoned pond. At this time, all sludge previously deposited in the pond has been removed and properly disposed of. The final step in closing this pond requires that its bottom be encapsulated with a layer of soil. This project is expected to be completed in 2013.

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, 2012

	Governmental Activities	Business-type Activities	Total
	2012	2012	2012
Currrent Assets	$ 222,469	$ 424,400	$ 646,869
Capital Assets	553,502	4,172,288	4,725,790
Total Assets	775,971	4,596,688	5,372,659
Liabilities (All Current)	33,635	999,891	1,033,526
Net Assets	$ 742,336	$ 3,596,797	$ 4,339,133

	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

City of Crawfordville Revenues and Expenses - FY 2012

	Governmental Activities 2012	Business-type Activities 2012	Total 2012
Revenues			
Program Revenues:			
Charges for services	$	231,311	$ 231,311
Operating grants and contributions	-	19,616	19,616
Capital grants and contributions		755,889	755,889
General Revenues:			
Property taxes	117,645		117,645
Sales taxes	31,607		31,607
Real estate transfer taxes	54		54
Motor vehicle taxes	10,174		10,174
Franchise taxes	28,584		28,584
Business and occupational taxes	29,683		29,683
Other taxes	8,995		8,995
Interest income	1,578	2,693	4,271
Total Revenues	228,320	1,009,509	1,237,829
Expenses			
Government Activities			
General Government	138,057		138,057
Judicial	4,740		4,740
Public Safety	65,567		65,567
Culture and Recreation	7,777		7,777
Public Works	53,716		53,716
Water Enterprise Fund		380,887	380,887
Total Expenses	269,857	380,887	650,744
Transfers	(4,499)	4,499	-
Change in Net Assets	(46,036)	633,121	587,085
Net Assets, Beginning of Year	788,372	2,963,676	3,752,048
Net Assets, End of Year	$ 742,336	3,596,797	4,339,133

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BASIC FINANCIAL STATEMENTS

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CITY OF CRAWFORDVILLE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 57,969	$ 77,876	$ 135,845
Investments	52,012	62,151	114,163
Due from other funds	24,512	-	24,512
Receivables			
Taxes	87,976	-	87,976
Customer accounts	-	240,619	240,619
Restricted assets:			
Temporarily restricted:			
Cash	-	13,058	13,058
Investments	-	30,696	30,696
Capital assets not being depreciated	10,172	825,136	835,308
Capital assets, net of accumulated depreciation	543,330	3,347,152	3,890,482
Total assets	775,971	4,596,688	5,372,659
LIABILITIES			
Accounts payable	32,434	160,595	193,029
Accrued liabilities	1,201	1,050	2,251
Customer deposits	-	13,058	13,058
Due to other funds	-	24,512	24,512
Noncurrent liabilities:			
Due within one year	-	111,064	111,064
Due in more than one year	-	689,612	689,612
Total liabilities	33,635	999,891	1,033,526
NET POSITION			
Invested in capital assets, net of related debt	553,502	3,368,689	3,922,191
Restricted for debt service	-	111,064	111,064
Restricted for other purposes	-	13,058	13,058
Unrestricted	188,834	103,986	292,820
Total net position	$ 742,336	$ 3,596,797	$ 4,339,133

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, 2012

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	Net Revenue (Expense) and Changes in Net Assets: Primary Government: Business-type Activities	Net Revenue (Expense) and Changes in Net Assets: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 141,586	$ 3,529	$ -	$ -	$ (138,057)	$ -	$ (138,057)
Judicial	4,740	-	-	-	(4,740)	-	(4,740)
Public safety	65,567	-	-	-	(65,567)	-	(65,567)
Public works	53,716	-	-	-	(53,716)	-	(53,716)
Culture & recreation	7,777	-	-	-	(7,777)	-	(7,777)
Total governmental activities	273,386	3,529	-	-	(269,857)	-	(269,857)
Business-type activities:							
Utility Enterprise Fund	380,887	231,311	19,616	755,889	-	625,929	625,929
Total business-type activities	380,887	231,311	19,616	755,889	-	625,929	625,929
Total primary government	$ 654,273	$ 234,840	$ 19,616	$ 755,889	(269,857)	625,929	356,072
General revenues:							
Property taxes					125,019	-	125,019
Sales taxes					31,607	-	31,607
Franchise taxes					28,584	-	28,584
Penalty & deliquent taxes					3,528	-	3,528
Business and occupational taxes					29,683	-	29,683
Fines & forfeitures					8,321	-	8,321
Transfers					(4,499)	4,499	-
Interest income					1,578	2,693	4,271
Total general revenues and transfers					223,821	7,192	231,013
Change in net position					(46,036)	633,121	587,085
Net position, beginning of year					788,372	2,963,676	3,752,048
Net position, end of year					$ 742,336	$ 3,596,797	$ 4,339,133

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

CITY OF CRAWFORDVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General Fund
ASSETS	
Cash and cash equivalents	$ 57,969
Investments	52,012
Due from other funds	24,512
Property taxes receivable	87,976
Total assets	$ 222,469
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	$ 32,434
Accrued liabilities	1,201
Total liabilities	33,635
Fund Balances	
Unassigned	188,834
Total fund balances	188,834
Total liabilities and fund balances	$ 222,469

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 POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

Total fund balances - governmental funds	$ 188,834
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 funds. These assets consist of:	
Land	10,172
Buildings and improvements	225,675
Furniture, fixtures, and equipment	178,973
Infrastructure	495,158
Accumulated depreciation	(356,476)
Total capital assets	553,502
Net position of governmental activities	$ 742,336

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, 2012

	General Fund
REVENUES	
Taxes, property	$ 128,547
Taxes, other than property	89,874
Licenses and permits	3,529
Fines and forfeitures	8,321
Interest income	1,578
Total revenues	231,849
EXPENDITURES	
Current operating	
General government	118,734
Judicial	4,740
Public safety	65,567
Public works	19,438
Culture and recreation	7,777
Total expenditures	216,256
Excess of revenues over expenditures	15,593
OTHER FINANCING SOURCES (USES)	
Transfers out	(4,499)
Total other finaning uses	(4,499)
CHANGE IN FUND BALANCE	11,094
FUND BALANCE, BEGINNING OF YEAR	177,740
FUND BALANCE, END OF YEAR	$ 188,834

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, 2012

Net change in fund balances - governmental funds	$ 11,094
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	(57,130)
Change in net position of governmental activities	$ (46,036)

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, 2012

	Original Budget	Amended and Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes, property	$ 123,533	$ 126,763	$ 128,547	$ 1,784
Taxes, other than property	96,089	90,064	89,874	(190)
Licenses and permits	3,025	2,500	3,529	1,029
Fines and forfeitures	11,630	8,083	8,321	238
Interest	1,600	1,000	1,578	578
Total revenues	235,877	228,410	231,849	3,439
EXPENDITURES				
Current operating				
General government	132,864	117,914	118,734	(820)
Judicial	-	4,527	4,740	(213)
Public safety	66,777	65,849	65,567	282
Public works	32,636	19,900	19,438	462
Culture and recreation	-	8,000	7,777	223
Total expenditures	232,277	216,190	216,256	(66)
Excess (Deficiency) of revenues over expenditures	3,600	12,220	15,593	3,373
OTHER FINANCING SOURCES (USES)				
Transfers Out	(3,600)	(4,200)	(4,499)	(299)
CHANGE IN FUND BALANCE	$ -	$ 8,020	11,094	$ 3,074
FUND BALANCE, BEGINNING OF YEAR			177,740	
FUND BALANCE, END OF YEAR			$ 188,834	

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

CITY OF CRAWFORDVILLE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Business-type activities Enterprise Funds Water and Sewer Fund
ASSETS	
Current assets	
Cash	$ 77,876
Investments	92,847
Accounts receivables	240,619
Temporarily restricted	
Cash	13,058
Total current assets	424,400
Non-current assets	
Land	2,923
Construction in process	822,213
Capital assets	4,799,505
Less accumulated deprecation	(1,452,353)
Total capital assets (net of accumulated depreciation)	3,347,152
Total non-current assets	4,172,288
Total assets	4,596,688
LIABILITIES	
Current liabilities	
Accounts payable	160,595
Accrued liabilities	1,050
Customer deposits	13,058
Due to other funds	24,512
Long-term debt, current portion	111,064
Total current liabilities	310,279
Non-current liabilities	
GEFA loan 2002, non-current portion	28,559
GEFA subsidy, non-current portion	161,822
USDA loan, non-current portion	410,229
GEFA loan 2011, non-current portion	89,002
Total non-current liabilities	689,612
Total liabilities	999,891
NET POSITION	
Invested in capital assets, net of related debt	3,368,689
Restricted for debt service	111,064
Restricted for other purposes	13,058
Unrestricted	103,986
Total net position	3,596,797
Total liabilities and net position	$ 4,596,688

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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type activities Enterprise Funds Water and Sewer Fund
Operating revenues	
Charges for services	$ 231,311
Total operating revenues	231,311
Operating expenses	
Depreciation and amortization	138,333
Personnel services	57,226
Contracted services	48,666
Solid waste collection expense	41,829
Repairs and maintenance	19,454
Utilities	26,492
Supplies	14,533
Bad debts	4,744
Miscellaneous	1,821
Total operating expenses	353,098
Operating loss	(121,787)
Nonoperating revenues (expenses)	
CDBG grant funds	755,889
GEFA subsidy	19,616
Interest income	2,693
Capital outlay	(4,914)
Interest expense	(22,875)
Total nonoperating revenues (expenses)	750,409
Income before transfers	628,622
Transfers in	4,499
Total transfers	4,499
CHANGE IN NET POSITION	633,121
NET POSITION, BEGINNING OF YEAR	2,963,676
NET POSITION, END OF YEAR	$ 3,596,797

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, 2012

	Business-type Activities Enterprise Funds
	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers and users	$ 241,828
Cash paid to suppliers for goods and services	(260,310)
Cash paid to employees	(57,226)
Net cash used by operating activities	(75,708)
Cash flows from noncapital and financing activities:	
Transfer from other funds	4,499
Net cash provided by noncapital and financing activities	4,499
Cash flows from capital and related financing activities:	
Grant proceeds	755,889
Capital contributions	19,616
Proceeds from the issuance of debt	78,000
Payments to purchase capital assets	(691,954)
Principal payment of long-term debt	(29,920)
Interest paid on capital debt	(22,875)
Net cash provided by capital and related financing activities	108,756
Cash flows from investing activity:	
Interest received	2,693
Payments to purchase investments	(150)
Net cash provided by investing activities	2,543
Net increase in cash and cash equivalents	40,090
Cash and cash equivalents, beginning of year	50,844
Cash and cash equivalents, end of year	$ 90,934
Reconciliation of net income to net cash provided (used) by operating activities:	
Operating loss	$ (121,787)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	138,333
Accounts receivable	(190,096)
Accounts payable	103,942
Customer deposits	4,906
Accrued liabilities	(11,006)
Net cash used in operating activities	$ (75,708)

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

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 Position, 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 the governmental column of the government-wide presentation.

Internal service funds of a government are presented in 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 purpose 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, 2012, the City had the following investments and maturities:

Investments	Maturity	Fair Value	Credit Rating
Primary Government			
Certificates of deposit	March 23, 2013	$ 52,012	-
Business - Type Activities			
Certificates of deposit	March 23, 2013	$ 68,717	
Certificates of deposit	February 11, 2013	24,130	-
Total Business - Type Activities		92,847	
Total		$ 144,859	

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 $144,859 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 1, 2012. Taxes were levied on or about November 20, for the calendar year on assessed property values. In 2012, the tax bills were mailed on December 19, 2012, and were due February 22, 2013. 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	16.75 mills (net of rollbacks)
Tax digest	$ 6,626,955
Tax levy	$ 111,001

Taxes receivable at December 31, 2012 totaled $87,976.

NOTE 4 – CHANGE IN CAPITAL ASSETS

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

	Balance December 31, 2011	Additions	Deletions	Balance December 31, 2012
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	(164,640)	(34,277)	-	(198,917)
Buildings and Improvements	(74,837)	(14,283)	-	(89,120)
Furniture, fixtures, and equipment	(59,869)	(8,570)	-	(68,439)
Total	(299,346)	(57,130)	-	(356,476)
Net capital assets being depreciated	600,460	(57,130)	-	543,330
Governmental activities capital assets - net	$ 610,632	$ (57,130)	$ -	$ 553,502

Depreciation expense was charged to functions as follows:

General government	$ 22,852
Public works	34,278
Total	$ 57,130

NOTE 4 – CHANGE IN CAPITAL ASSETS - Continued

Business-type capital asset activity for the year ended December 31, 2012, was as follows:

	Balance December 31, 2011	Additions	Deletions	Balance December 31, 2012
Business-Type Activities				
Capital assets not being depreciated				
Land	$ -	$ 2,923	$ -	$ 2,923
Construction in progress	55,201	767,012	-	822,213
Total capital assets not being depreciated	55,201	769,935	-	825,136
Capital assets being depreciated				
Wastewater plant	1,673,377	-	-	1,673,377
Water system	603,660	-	(66,858)	536,802
Sewer system	2,564,326	-	-	2,564,326
Water and sewer equipment	25,000	-	-	25,000
Total capital assets being depreciated	4,866,363	-	(66,858)	4,799,505
Less: accumulated depreciation				
Infrastructure	(1,314,020)	(138,333)	-	(1,452,353)
Total	(1,314,020)	(138,333)	-	(1,452,353)
Net capital assets being depreciated	3,552,343	(138,333)	(66,858)	3,347,152
Business-type activities capital assets - net	$ 3,607,544	$ 631,602	$ (66,858)	$ 4,172,288

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

Water and sewer Fund	$ 138.333

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, 2012, 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

Due from	Due to General
Enterprise	$ 24,512
Total	$ 24,512

Transfers In/Out

Fund Transfered To	Transferred From General
Enterprise	$ 4,499
Total	$ 4,499

NOTE 7 – LONG-TERM DEBT

Governmental activities
For the year ended December 31, 2012 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, 2011	Additions	Deletions	Balance December 31, 2012	Due Within One Year
GEFA Loan 2002	$ 35,484	$ -	$ (3,465)	$ 32,019	$ 3,460
GEFA Subsidy	201,054	-	(19,616)	181,438	19,616
USDA Note	420,921	-	(5,250)	415,671	5,442
GEFA Loan 2011	95,137	-	(1,589)	93,548	4,546
Revolving Line of Credit	-	78,000	-	78,000	78,000
	$ 752,596	$ 78,000	$ (29,920)	$ 800,676	$ 111,064

A summary of notes payable as of December 31, 2012 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, 2012	
GEFA Loan 2002	$ 32,019
Subsidy Portion	181,438
Total for GEFA Note	$ 213,457

NOTE 7 – LONG-TERM DEBT - Continued

Note payable to the Georgia Environmental Finance Authority (GEFA), dated July 12, 2010, 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, 2012	
GEFA Loan 2011	$ 93,548
Total for GEFA Note	$ 93,548

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, 2012	
USDA Loan	$ 415,671
Total Debt	
GEFA Loan 2002	$ 213,457
USDA Loan	415,671
GEFA Loan 2011	93,548
Long-Term Total Debt	$ 722,676

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
2013	$ 19,616	$ 3,460	$ -	$ 23,076
2014	19,616	3,461	-	23,077
2015	19,616	3,461	-	23,077
2016	19,616	3,461	-	23,077
2017	19,616	3,461	-	23,077
2018-2021	78,464	13,844	-	92,308
2022	4,894	871	-	5,765
Total	$ 181,438	$ 32,019	$ -	$ 213,457

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
2013	$ 5,442	$ 18,645	$ 24,087
2014	5,588	18,397	23,985
2015	5,899	18,137	24,036
2016	6,171	17,865	24,036
2017	6,455	17,581	24,036
2018-2022	38,205	81,975	120,180
2023-2027	46,855	73,325	120,180
2028-2032	55,505	64,675	120,180
2033-2037	64,155	56,025	120,180
2038-2042	74,805	45,375	120,180
2042-2045	90,583	29,597	120,180
2046	16,008	273	120,180
Total	$ 415,671	$ 441,870	$ 961,440

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

For the year December 31	Principal	Interest	Total
2013	$ 4,546	$ 2,117	$ 6,663
2014	3,529	3,134	6,663
2015	3,651	3,012	6,663
2016	3,676	2,987	6,663
2017	3,697	2,966	6,663
2018-2022	24,876	8,439	33,315
2023-2027	27,056	6,259	33,315
2028-2030	19,290	699	19,989
2031	3,227	8	3,235
Total	$ 93,548	$ 27,504	$ 116,506

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, 2012, 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, 2012. No provision has been made in the financial statements for the year ended December 31, 2012 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 11 - SUBSEQUENT EVENTS

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 9, 2013.

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SUPPLEMENTARY INFORMATION

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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, and each major fund of the City of Crawfordville, Georgia as of and for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise the City of Crawfordville, Georgia's basic financial statements, and have issued our report thereon dated May 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Crawfordville, Georgia's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Crawfordville, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Crawfordville, 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2012-1 and 2012-2.

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, Georgia's Response to Findings

City of Crawfordville's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs City of Crawfordville, Georgia's responses were 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 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.

Baird & Company, CPAs, LLC

BAIRD & COMPANY CPAs, LLC
Certified Public Accountants

Augusta, Georgia
May 9, 2013

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

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

To the Mayor and City Council
City of Crawfordville, Georgia

Compliance

We have audited the City of Crawfordville, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Crawfordville, Georgia's major federal programs for the year ended December 31, 2012. The City of Crawfordville, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Crawfordville, Georgia's management. Our responsibility is to express an opinion on the City of Crawfordville, Georgia's compliance based on our audit.

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

In our opinion, the City of Crawfordville, Georgia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies, as defined above.

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

This report is intended solely for the information and use of management, others within the entity, 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 9, 2013

CITY OF CRAWFORDVILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/ Pass Thru Grantor/ Program Title	Federal CFDA Number	Grantor/ Contract Number	Program Expenditures
U.S. Department of Housing and Urban Development			
(Passed through Georgia DCA)			
CDBG State's Program and Non-Entitlement Grants in Hawaii	14.228	08b-x-157-2-5080	$ 438,589
Total U.S. Department of Housing and Urban Development			438,589
U.S.Environmental Protection Agency			
Congressionally Mandated Projects	66.202	N/A	317,331
Total U.S. Environmental Protection Agency			317,331
Total Expenditures of Federal Awards			$ 755,920

CITY OF CRAWFORDVILLE, GEORGIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2012

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Crawfordville, Georgia under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non – Profit Organizations*. Because the schedule presents only a selected portion of the operations of City of Crawfordville, Georgia, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Crawfordville, Georgia.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in OMB Circular A-87, Cost Principals for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Note 3 – Non-cash Awards

City of Crawfordville, Georgia did not receive any non-cash federal awards during the year ended December 31, 2012.

CITY OF CRAWFORDVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2012

I. Summary of Auditors' Results:

A. The auditors' report expresses an unqualified opinion on the financial statements of City of Crawfordville, Georgia.

B. Two significant deficiencies and no material weaknesses were disclosed during the audit of the financial statements are reported in Part II below.

C. No instances of noncompliance material to the financial statements of the City of Crawfordville, Georgia which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

D. No significant deficiencies or material weaknesses in internal controls over major federal award programs were disclosed during the audit.

E. The auditors' report on compliance for the major federal award programs for the City of Crawfordville, Georgia expresses an unqualified opinion on all major federal programs.

F. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.

G. Major federal program for the City of Crawfordville, Georgia for the fiscal year ended December 31, 2012 are:

Program Name	**CFDA #**
Department of Housing and Urban Development	
Pass Through:	
Georgia Department of Community Affairs - Community Block Grant	
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii Improvement Program	14.228

H. The threshold for determining Type A programs for the City of Crawfordville, Georgia is $300,000.

I. The City of Crawfordville is not qualified as a low risk auditee.

II. Findings Related to the Audit of the Financial Statements of the City of Crawfordville, Georgia are as follows:

Finding 2012-1:

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.

Finding: 2012-2

Criteria:
The accounting department should have adequate separation of duties.

Condition:
There is limited separation of duties in the accounting department of the City of Crawfordville.

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

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

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 mitigate risk of loss or 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.

III. Findings and Questioned Costs Related to the Audit of Federal Awards:

There were no findings noted for the year ended June 30, 2012 that are required to be reported in accordance with OMB Circular A-133 criteria.

IV. Prior Audit Findings Related to the Audit of the Financial Statements of the City of Crawfordville, Georgia:

Finding 2012-1 and 2012-2 were findings during the audit year ended June 30, 2011.