CITY OF GORDON, GEORGIA

FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
City of Gordon, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gordon, Georgia, as of and for the year ended September 30, 2010 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 Gordon, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gordon, Georgia, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated January 13, 2011 on our consideration of the City of Gordon, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

The City of Gordon, Georgia has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on pages 28 through 30 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Wright & Wright, P.C.

January 13, 2011

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board ("GASB"). The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
  - Governmental funds
  - Proprietary (enterprise) funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF GORDON, GEORGIA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	$ 438,218	$ 215,210	$ 653,428
Restricted cash and cash equivalents	-	126,290	126,290
Investments	2,569,657	-	2,569,657
Accounts receivable, net	51,574	28,690	80,264
Receivable from other governments	1,077,949	-	1,077,949
Internal balances	275,065	(275,065)	-
Inventories	-	15,070	15,070
Prepaid expenses	29,551	3,421	32,972
Total current assets	4,442,014	113,616	4,555,630
Noncurrent assets:			
Nondepreciable	1,526,765	130,643	1,657,408
Depreciable capital assets, net of accumulated depreciation	1,823,689	2,630,263	4,453,952
Total assets	7,792,468	2,874,522	10,666,990
LIABILITIES:			
Current liabilities:			
Accounts payable	190,094	39,076	229,170
Accrued wages and benefits	555	-	555
Current portion of long-term debt	12,384	89,718	102,102
Customer deposits	-	34,969	34,969
Deferred revenue	-	-	-
Total current liabilities	203,033	163,763	366,796
Noncurrent liabilities:			
Long-term debt, net of current portion	155,888	1,039,349	1,195,237
Total noncurrent liabilities	155,888	1,039,349	1,195,237
Total liabilities	358,921	1,203,112	1,562,033
NET ASSETS:			
Invested in capital assets, net of related debt	3,200,454	1,631,839	4,832,293
Restricted for:			
Debt retirement	-	134,104	134,104
Unrestricted	4,233,093	(94,533)	4,138,560
	$ 7,433,547	$ 1,671,410	$ 9,104,957

See accompanying notes to the basic financial statements

CITY OF GORDON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 356,039	$ 11,786	$ 13,305	$ -	$ (330,948)	$ -	$ (330,948)
Public safety	733,831	15,878	-	50,000	(667,953)	-	(667,953)
Public works	473,879	54,475	-	704,928	285,524	-	285,524
Health and welfare	12,922	-	-	-	(12,922)	-	(12,922)
Culture and recreation	54,422	-	-	-	(54,422)	-	(54,422)
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities	1,631,093	82,139	13,305	754,928	(780,721)	-	(780,721)
Business-type activities:							
Water and sewer	509,668	376,867	-	-	-	(132,801)	(132,801)
Total business-type activities	509,668	376,867	-	-	-	(132,801)	(132,801)
Total primary government	$ 2,140,761	$ 459,006	$ 13,305	$ 754,928	(780,721)	(132,801)	(913,522)
General revenues:							
Taxes:							
Property taxes					257,461	-	257,461
General sales and use tax					557,032	-	557,032
Other taxes					421,969	-	421,969
Grants and contributions					126,837	-	126,837
Interest income					61,822	1,026	62,848
Miscellaneous					8,617	-	8,617
Transfers					(39,619)	39,619	-
Total general revenues and transfers					1,394,119	40,645	1,434,764
Change in net assets					613,398	(92,156)	521,242
Net assets, beginning					6,820,149	1,763,566	8,583,715
Net assets, ending					$ 7,433,547	$ 1,671,410	$ 9,104,957

See accompanying notes to the basic financial statements

CITY OF GORDON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General Fund	Capital Projects Fund	CDBG Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	$ 330,559	$ 85,904	$ -	$ 21,755	$ 438,218
Investments	2,569,657	-	-	-	2,569,657
Accounts receivable, net	51,574	-	-	-	51,574
Receivables from other funds	214,030	291,551	-	-	505,581
Receivables from other governments	103,304	974,645	-	-	1,077,949
Prepaid expenses	29,551	-	-	-	29,551
Total assets	$ 3,298,675	$ 1,352,100	$ -	$ 21,755	$ 4,672,530
LIABILITIES:					
Accounts payable	$ 31,599	$ 158,495	$ -	$ -	$ 190,094
Accrued payroll deductions	555	-	-	-	555
Payable to other funds	230,516	-	-	-	230,516
Deferred revenue	47,129	-	-	-	47,129
Total liabilities	309,799	158,495	-	-	468,294
FUND BALANCES:					
Unreserved, reported in:					
General fund	2,988,876	-	-	-	2,988,876
Special revenue funds	-	-	-	3,062	3,062
Capital projects funds:					
Designated	-	860,000	-	-	860,000
Undesignated	-	333,605	-	18,693	352,298
Total fund balances	2,988,876	1,193,605	-	21,755	4,204,236
Total liabilities and fund balances	$ 3,298,675	$ 1,352,100	$ -	$ 21,755	

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, net of accumulated depreciation of $1,337,311	3,350,454
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Accounts receivable, net of allowance for doubtful accounts of $238	47,129
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due All liabilities both current and long-term are reported in the Statement of Net Assets. Long-term liabilities at year-end consist of the following:	
Notes payable	(150,000)
Compensated absences	(18,272)
Net assets of governmental activities	$ 7,433,547

See accompanying notes to the basic financial statements

CITY OF GORDON, GEORGIA
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Capital Projects Fund	CDBG Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	$ 1,201,055	$ 466,461	$ -	$ -	$ 1,667,516
Licenses and permits	10,230	-	-	-	10,230
Intergovernmental	55,905	238,467	126,837	7,400	428,609
Fees and fines	15,878	-	-	-	15,878
Charges for services	56,031	-	-	-	56,031
Investment earnings	51,695	10,127	-	-	61,822
Rent	3,163	-	-	-	3,163
Other	5,095	-	-	359	5,454
Total revenues	1,399,052	715,055	126,837	7,759	2,248,703
EXPENDITURES:					
Current operating:					
General government	269,034	5,682	-	63,633	338,349
Public safety	890,364	-	-	-	890,364
Public works	363,981	73,408	-	-	437,389
Health and welfare	12,922	-	-	-	12,922
Culture and recreation	44,312	-	-	-	44,312
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlays	-	655,897	126,837	-	782,734
Total expenditures	1,580,613	734,987	126,837	63,633	2,506,070
Excess (deficiency) of revenues over (under) expenditures	(181,561)	(19,932)	-	(55,874)	(257,367)
OTHER FINANCING SOURCES (USES):					
Loan proceeds	150,000	-	-	-	150,000
Transfers in (out)	(56,675)	-	-	56,675	-
Total other financing sources and uses	93,325	-	-	56,675	150,000
Net change in fund balance	(88,236)	(19,932)	-	801	(107,367)
FUND BALANCE, beginning	3,077,112	1,213,537	-	20,954	4,311,603
FUND BALANCE, ending	$ 2,988,876	$ 1,193,605	$ -	$ 21,755	$ 4,204,236

(Continued)

See accompanying notes to the basic financial statements

CITY OF GORDON, GEORGIA

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Net change in fund balances - total governmental funds	$ (107,367)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital outlays	944,726
Depreciation	(117,658)
	827,068
The effect of various capital asset disposals and sales, net of accumulated depreciation	(1,097)
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustment for these items are as follows:	
Compensated absences	9,387
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets:	
Issuance of long-term debt	(150,000)
Repayment of long-term debt	-
	(150,000)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	35,407
	$ 613,398

See accompanying notes to the basic financial statements

CITY OF GORDON, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Water and Sewer Fund
ASSETS	
CURRENT ASSETS:	
Cash in bank	$ 215,210
Accounts receivable, net of allowance	28,690
Inventories	15,070
Prepaid expenses	3,421
Restricted cash and cash equivalents:	
Customer deposits	36,388
Sinking fund	58,417
Renewal and extension	31,485
Total current assets	388,681
NONCURRENT ASSETS:	
Capital Assets:	
Land and improvements	50,847
Buildings	26,629
Machinery and equipment	178,903
Water system	1,551,258
Sewer system	3,248,061
Construction in progress	79,796
	5,135,494
Less accumulated depreciation	(2,374,588)
Total capital assets	2,760,906
Total assets	3,149,587
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	39,076
Due to General Fund	214,030
Due to Capital Projects Fund	61,035
Customer deposits	34,969
Current portion of notes payable	89,718
Total current liabilities	438,828
NONCURRENT LIABILITIES:	
Notes payable, net of current portion	1,039,349
Total noncurrent liabilities	1,039,349
Total liabilities	1,478,177
NET ASSETS	
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	1,631,839
RESTRICTED FOR DEBT RETIREMENT	134,104
UNRESTRICTED	(94,533)
Total net assets	$ 1,671,410

See accompanying notes to the basic financial statements

CITY OF GORDON, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Water and Sewer Fund
OPERATING REVENUES:	
Water charges	$ 220,508
Sewer charges	144,233
Tap fees	625
Late penalties and other	11,501
Total operating revenues	376,867
OPERATING EXPENSES:	
Salaries	80,218
Employee benefits	35,222
Insurance	10,762
Legal and professional	292
Repairs and maintenance	42,941
Supplies	49,415
Utilities	67,757
Water and sewer analysis	32,700
Depreciation	125,954
Other operating	16,648
Total operating expenses	461,909
OPERATING INCOME (LOSS)	(85,042)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	1,026
Interest expense	(47,759)
Gain (loss) on capital asset disposal	-
Total non-operating revenues (expenses)	(46,733)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(131,775)
CAPITAL CONTRIBUTIONS	39,619
NET INCOME (LOSS) BEFORE TRANSFERS	(92,156)
TRANSFERS IN (OUT)	-
CHANGE IN NET ASSETS	(92,156)
NET ASSETS, beginning of year	1,763,566
NET ASSETS, end of year	$ 1,671,410

See accompanying notes to the basic financial statements

CITY OF GORDON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 390,824
Payments to suppliers	(200,060)
Payments to employees	(115,440)
Net cash provided by operating activities	75,324
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating subsidies and transfers to other funds	-
Net cash used in noncapital financing activities	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase for capital assets	-
Principal paid on capital debt	(67,249)
Interest paid on capital debt	(47,759)
Net cash used in capital and related financing activities	(115,008)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	1,026
Net cash provided by investing activities	1,026
NET INCREASE (DECREASE) IN CASH	(38,658)
BALANCES, beginning of year	380,158
BALANCES, end of year	$ 341,500
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	$ (85,042)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Cash flows reported in other categories:	
Depreciation expense	125,954
Changes in assets and liabilities:	
Receivables, net	13,957
Prepaid expenses	474
Accounts payable	13,717
Due to General Fund	5,339
Meter deposits held	925
Net cash provided by operating activities	$ 75,324
NONCASH CAPITAL FINANCING ACTIVITIES:	
Capital purchases of $20,522 and $19,097 of principal payments on capital debt were made through contributions from the Capital Projects Funds 2001 and 2005	
RECONCILIATION OF TOTAL CASH:	
Current assets - cash	$ 215,210
Restricted assets - cash	126,290
Total cash	$ 341,500

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of City of Gordon (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City.

Currently, the City has no blended component units or discretely presented component units.

As of September 30, 2010, the City has not activated its Downtown Development Authority. If in the future the City does decide to take the necessary steps to activate it, the Downtown Development Authority would then be a discretely presented component unit that would be reported in a separate column in the combined financial statements.

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

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1)

charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including accrued interest on general long-term debt, is recognized when due, and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

> The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The Capital Projects Fund accounts for capital expenditures paid with special purpose local option sales tax.

The Community Development Block Grant Fund accounts for a 2007 grant of $500,000 for sewer extension and upgrades.

The City reports the following major proprietary fund:

The Water and Sewer Fund is used to account for the provision of water and sewer services to businesses and residents of the City. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The City complies with Governmental Accounting Standards Board ("GASB") Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. This Statement requires the City to apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, the City has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

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

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

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

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

D. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments, if any, are stated at fair market value with unrealized holding gains and losses reported as the "Change in fair market value of investments" in the Statement of Revenues, Expenses and Changes in Retained Earnings.

E. Inventory

Inventory is valued at cost, which approximates market, using the first-in/first-out method. The cost of governmental fund-type inventory is recorded as an expenditure when consumed rather than when purchased.

F. Restricted Assets

Certain resources of enterprise fund debt repayment are classified as restricted assets on the balance sheet because their use is limited by management's discretion.

G. Prepaid Items

Prepaid balances, if any, are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and a reserve for prepaid items is recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

H. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, distribution systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of two years and an original cost of $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Prior to October 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets totaling $0 were completed during the year ended September 30, 2010. At September 30, 2010, $571,442 of construction-in-progress was related to infrastructure assets.

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows

Buildings	30-40 years
Depreciable land improvements	8 - 20 years
Machinery and equipment	5 - 25 years
Infrastructure	40 – 50 years

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

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

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charged and amortized over the term of the related debt.

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

K. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly chargeable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Basis

GAAP is the budgetary basis used in the preparation of these statements.

Budget Requirements, Accounting and Reporting

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

1. Prior to year end the City Clerk submits to the Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. The Council holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ of City of Gordon.

3. The budget is then revised and adopted or amended by the Council at a regular meeting early in the year to which it applies

4. The budget so adopted may be revised during the year only by formal action of the Council in a regular meeting and no increase shall be made therein without provision also being made for financing same.

5. The legal level of budgetary control is the department level within the General Fund. Increases in the total appropriations of a department, whether accomplished through an increase in estimated revenues or through a transfer of appropriations among departments, require the approval of the Mayor and Council.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Special Revenue Funds. The budgets for the General Fund, Special Revenue Fund and Capital Project Funds are adopted on a basis consistent with GAAP.

7. Budgeted amounts are as originally adopted, or as amended by the Council. Individual amendments were not material in relation to the original appropriations which were amended.

Excesses of Expenditures over Appropriations in Individual Funds

The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended September 30, 2010:

Public safety - capital outlays	$ 186,377

In the Library Special Revenue Fund, actual expenditures exceeded appropriations by $4,701.

These overexpenditures were funded by greater than anticipated revenues and by available fund balance. The Mayor and Council plan in the future to more closely monitor expenditures to determine if budget amendments need to be made or if cost cutting measures need to be formulated.

3. DEPOSITS AND INVESTMENTS

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

Georgia law allows investments in obligations of the U.S. Treasury, other U.S. Governmental Agencies, State of Georgia, other states, prime banker's acceptance, repurchase agreements, other political subdivisions of Georgia and the State of Georgia Fund 1 investment pool. The Georgia Fund 1 is not registered with the SEC. The State of Georgia Office of Treasury operates Georgia Fund 1 in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Georgia Fund 1 is a stable net asset value investment pool that follows Standard & Poor's criteria for AAAm rated money market funds.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2010, none of the City's $2,834,338 was exposed to custodial credit risk.

Custodial credit risk for investments is the risk that in the event of the failure of the counter-party to a transaction, an entity will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Georgia Fund 1 is not required to disclose custodial credit risk. The City had no such investments with such risk as of September 30, 2010.

As of September 30, 2010, the City had the following investments:

	Investment Value	Weighted Average Maturity
Georgia Fund 1	$ 515,037	24 days

4. PROPERTY TAXES

The value of all real and business personal property located in the City is assessed (appraised) as of each January 1. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Appraised values are established by the Wilkinson County Tax Assessors at 40% of estimated fair market value. Taxes were levied when the milleage rate was set on or about October 1. Taxes are billed shortly after October 15 and are due December 10, after which date penalties and interest may be assessed. Property on which taxes are not paid within 60 days of mailing may then be levied on by the City. Current tax collections for the years ended September 30, 2010, were 83.3% of the tax levy.

Property taxes are recorded as receivables and deferred at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible within sixty days following the close of the fiscal year, and therefore susceptible to accrual in accordance with GAAP, have been recognized as revenue.

5. ACCOUNTS RECEIVABLE

At September 30, 2010, accounts receivable consisted of the following:

	Governmental Activities	Business-type Activities	Total
General Fund:			
Property tax	$ 51,812	$ -	$ 51,812
Local option sales tax	103,304	-	103,304
Capital Projects Fund:			
Special local option sales tax	974,645	-	974,645
Water and Sewer Fund:			
Water and sewer fees	-	56,065	56,065
	1,129,761	56,065	1,185,826
Allowance for doubtful accounts	(238)	(27,375)	(27,613)
	$ 1,129,523	$ 28,690	$ 1,158,213

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended September 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	$ 398,361	$ -	$ -	$ 398,361
Construction-in-progress	458,620	669,784	-	1,128,404
Subtotal	856,981	669,784	-	1,526,765
Other capital assets:				
Buildings	1,271,486	23,056		1,294,542
Equipment	881,533	271,311	(20,522)	1,132,322
Infrastructure	734,137	-		734,137
Subtotal	3,744,137	964,151	(20,522)	4,687,766
Accumulated depreciation:				
Buildings	532,203	38,117	-	570,320
Equipment	614,038	61,186		675,224
Infrastructure	73,412	18,355	-	91,767
Subtotal	1,219,653	117,658	-	1,337,311
Net capital assets	$ 2,524,484	$ 846,493	$ (20,522)	$ 3,350,455
Business-type activities:				
Not being depreciated:				
Land	$ 50,847	$ -	$ -	$ 50,847
Construction-in-progress	79,796	-	-	79,796
Subtotal	130,643	-	-	130,643
Other capital assets:				
Building	26,629	-	-	26,629
Sewer system	3,248,062	-	-	3,248,062
Water system	1,551,258	-	-	1,551,258
Equipment	158,381	20,522	-	178,903
Subtotal	5,114,973	20,522	-	5,135,495
Accumulated depreciation:				
Building	17,177	623	-	17,800
Sewer system	1,353,878	75,342		1,429,220
Water system	766,205	39,201	-	805,406
Equipment	111,373	10,788	-	122,161
Subtotal	2,248,633	125,954	-	2,374,587
Net capital assets	$ 2,866,340	$ (105,432)	$ -	$ 2,760,908

Depreciation was charged to functions as follows:

Governmental activities:	
General government	$ 19,690
Public safety	49,981
Public works	37,877
Culture and recreation	10,110
	$ 117,658

7. LONG-TERM DEBT

Outstanding Debt:

At September 30, 2010, long-term debt consisted of the following:

	Governmental Activities	Water Enterprise Fund Debt
$150,000 loan from USDA for a fire truck, interest at 4.0%, due in annual principal and interest payments of $18,495 to July 2020	$ 150,000	$ -
$257,369 loan from Georgia Environmental Facilities Authority for construction of sewage treatment facility upgrades, interest at 4.2%, due in monthly principal and interest payments of $1,591 to November 2026	-	223,825
$1,521,486 loan from Georgia Environmental Facilities Authority for construction of a sewage treatment facility, interest at 4.0%, due in quarterly principal and interest payments of $28,752 to January 2020	-	905,243
Total long-term debt	$ 150,000	$1,129,068

Following is a summary of changes in long-term debt for the year ended September 30, 2010:

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010	Amount Due in One Year
Governmental type activities:					
Note payable	$ -	$ 150,000	$ -	$ 150,000	$ 12,384
Compensated absences	27,600	-	(9,328)	18,272	18,272
	$ 27,600	$ 150,000	$ (9,328)	$ 168,272	$ 30,656
Business-type activities:					
GEFA loan	$ 233,304	$ -	$ (9,479)	$ 223,825	$ 9,883
GEFA loan	982,109	-	(76,866)	905,243	79,835
	$1,215,413	$ -	$ (86,345)	$ 1,129,068	$ 89,718

For the governmental activities, compensated absences are generally liquidated by the general fund.

Annual Requirements to Retire Debt Obligations:

The annual maturities for the years subsequent to September 30, 2010 are as follows:

Year Ending September 30	Governmental Activities Note Payable		Water and Sewer Notes Payable	
	Principal	Interest	Principal	Interest
2011	$ 12,384	$ 6,111	$ 89,718	$ 44,386
2012	12,888	5,607	93,393	40,710
2013	13,413	5,082	97,220	36,884
2014	13,960	4,535	101,203	32,901
2015	14,529	3,966	105,350	28,755
2016 - 2020	82,826	10,455	539,420	75,624
2021 - 2025	-	-	81,873	13,611
2026 - 2027	-	-	20,891	577
	$ 150,000	$ 35,756	$1,129,068	$ 273,448

8. FUND EQUITY

Fund Deficits

No fund had a deficit fund balance at September 30, 2010.

Designated for Subsequent Year's Expenditures

A portion of the unreserved fund balance of the Capital Projects Fund is designated for subsequent year's expenditures.

9. INTERFUND TRANSACTIONS AND BALANCES

Balances Due to/from other funds:

Balances due to/from other funds at September 30, 2010, consist of the following -

	Due From	Due To
Water and Sewer Fund:		
Capital Projects Fund	$ -	$ 61,035
General Fund	-	214,030
Capital Projects Fund:		
Water and Sewer Fund	61,035	-
General Fund	230,516	-
General Fund:		
Capital Projects Fund	-	230,516
Water and Sewer Fund	214,030	-
	$ 505,581	$ 505,581

The amount due from the General Fund to the Capital Projects Fund is for grant revenues inadvertently deposited into the General Fund instead of the Capital Projects Fund. These funds will be transferred to the Capital Projects Fund in fiscal year 2011. The other outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from Other Funds:

During the year ended September 30, 2010, the General Fund transferred $56,675 to the Library Fund. Transfers are used to utilize unrestricted revenues collected in the General Fund to help finance operations accounted for in the Library Fund in accordance with budgetary authorizations.

10. COMMITMENTS AND CONTINGENCIES

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

Litigation

According to the City's attorney, there are no contigent liabilities or other litigation in progress for which the City may be liable as of September 30, 2010.

11. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City is a participating member of the Georgia Municipal Employees Benefit System, a statewide agent, and multiple-employer retirement system, administered by the Georgia Municipal Association. This is a defined benefit pension plan, which provides retirement, disability and death benefits to plan members and beneficiaries.

There are no loans to any of the City officials nor are there any other "party-in-interest" or prohibited transactions. The funds are managed by independent money managers.

The City Council has established an ordinance, which assigns the authority to the Mayor and Council members to establish and amend the benefit provisions of the plan.

The plan issues a stand-alone financial report. The annual report and more detailed information regarding the plan can be obtained from the Plan Administrator, the Georgia Municipal Employees Benefit System.

B. Participation

All full-time employees become participants in the plan after a year of continuous service as a condition of employment. As of November 1, 2009, the current plan membership is as follows:

Vested benefits of retired participants and beneficiaries currently receiving benefits	11
Other vested benefits:	
Terminated vested participants	6
Active participants	22
Nonvested benefits	5
Total membership in the plan	44
Total current year covered payroll	$602,956
Total current year payroll	$780,612

C. Actuarial Assumptions

1. Rate of return on investments of 8% per year.
2. Projected salary increases, due to inflation, of 0.5% per year.
3. Projected salary increases, due to seniority/merit of 0.5% per year.
4. Postretirement benefit increases - not applicable.
5. Inflation rate assumption of 5%.
6. Life expectancies before and after retirement based on the 1983 Group Annuity Mortality Table.

D. Funding Policy

Participants in the plan are not required to contribute to the plan. The City is required to contribute the remaining amounts necessary to fund the plan in compliance with the minimum funding standards of the Public Retirement Systems Standards Law. This funding policy, as specified by ordinance, has been the same since the inception of the plan.

Contributions are determined under the projected unit credit actuarial cost method. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981, and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

The contributions to the plan for the fiscal year ended September 30, 2010 were $65,766, 10.9% of covered payroll, and were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of

November 1, 2009. The total contribution consisted of $41,955 normal cost, $21,953 to amortize the unfunded accrued liability, and $7,592 of administrative expenses. The City's actuarially determined contribution requirement for the period ending September 30, 2010, was $74,057, or an undetermined percentage of the total of the current year actuarially determined contribution requirement for all employers.

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these funding standards is $74,057. Since the City's policy is to contribute the pension expense in each year, the Plan will meet applicable funding standards.

The plan provisions valued are the same as those used to determine the contribution requirement for the preceding year.

E. Trend Information

Historical trend information designed to provide information about the City's progress made in accumulating sufficient assets to pay pension benefits when due is presented below:

Fiscal Year	Annual Pension Cost (APC)	% of Annual Covered Payroll	Percentage of APC Contributed	Net Pension Obligation
2009	$74,057	12.28%	100.0%	$ -
2008	49,179	10.0%	100.0%	-
2007	48,479	9.2%	100.0%	-
2006	34,844	7.0%	100.0%	-
2005	39,847	8.5%	100.0%	-
2004	34,850	8.0%	100.0%	-
2003	32,144	7.0%	100.0%	-
2002	22,086	4.7%	100.0%	-
2001	11,031	2.5%	100.0%	-
2000	17,882		100.0%	-

F. Funding Progress

Fiscal Year	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Per-centage Funded (1)/(2)	Unfunded Actuarial Accrued Liability (AL) (2) - (1)	Annual Covered Payroll (prior year)	Unfunded AL as Percentage of Covered Payroll
2009	$940,178	$1,099,272	85.5%	$ 159,094	$ 602,956	26.4%
2008	981,715	1,016,321	96.6%	34,606	491,976	7.0%
2007	920,918	953,645	96.6%	32,727	528,226	6.2%
2006	856,893	868,417	98.7%	11,524	496,628	2.3%
2005	801,457	839,373	95.5%	37,916	530,944	7.1%
2004	755,265	791,489	95.4%	36,224	501,334	7.2%
2003	730,367	738,752	98.9%	8,385	456,104	1.8%
2002	712,513	661,206	107.8%	(51,307)	474,500	(10.8%)

Contributions were made in accordance with actuarially determined requirements.

G. **Actuarial Reports**

The City's practice is to have an actuarial valuation performed every year, and to base the succeeding years' contribution on the result of those valuations. The actuarial valuation is performed as of November 1 every year. This recent valuation was performed as of November 1, 2009, by Towers Perrin, based upon employee data as of November 1, 2009, and based upon the available pension assets as of November 1, 2009.

H. **Accounting Policies**

Basis of Accounting	Accrual
Asset Valuation Reporting	Cost
Actuarial Valuations	Market
Internal Loans	None
Non-governmental individual investments in excess of 5% of net assets	None
Securities of the employer and related parties	None

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors of omissions, job related illnesses or injuries to employees; natural disaster; and unemployment compensation.

There were no significant reductions of insurance coverage in the prior year. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the City. Settled claims have not exceeded the commercial excess coverage in any of the past three fiscal years.

Risk Pool

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMAWCSIF) and Georgia Interlocal Risk Management Agency (GIRMA), risk management agencies created under Georgia law. As a participant in the GMAWCSIF and GIRMA, the City has no legal obligation to pay its own workers' compensation claims or general liability claims. The City is required to make an annual contribution to the funds in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims and general liability claims. However, the enabling statute creating the GMAWCSIF and GIRMA permits the funds to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. Since excess insurance is purchased by the GMASCSIF and GIRMA to protect the funds from catastrophic losses, no amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

Self Insurance

The City is self-insured with regard to unemployment compensation claims. The City accounts for claims with expenditures and liabilities being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. The City has not experienced any claims related to unemployment compensation in the past three years.

13. JOINT VENTURE

Under Georgia law, the City in conjunction with other cities and counties in the fourteen City east central Georgia area, is a member of the Middle Georgia Regional Development Center and is required to pay annual dues thereto. During its year ended September 30, 2010, the City paid $1,657 in such dues. Membership in a Regional Development Center (RDC) is required by the OCGA Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from:

Middle Georgia Regional Development Center
175 Emery Highway
Macon, Georgia 31217

14. COMMUNITY DEVELOPMENT BLOCK GRANT

On September 7, 2010, the City was awarded a $500,000 community development block grant to be used for sewer improvements. No funds were received or expended during the year ended September 30, 2010.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 13, 2011, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules – General Fund and Community Development Block Grant Fund

CITY OF GORDON, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes:				
General property taxes	$ 266,000	$ 266,000	$ 222,054	$ (43,946)
Local option sales tax	540,000	540,000	557,032	17,032
Insurance premium tax	120,000	120,000	119,314	(686)
Motor vehicle tax	13,000	13,000	19,221	6,221
Franchise tax	268,000	268,000	245,615	(22,385)
Mobile home and intangible	3,400	3,400	3,721	321
Beer and wine tax	25,000	25,000	24,763	(237)
Real estate transfer tax	500	500	361	(139)
Other taxes	8,200	8,200	8,544	344
Penalties and interest on delinquent taxes	500	500	430	(70)
	1,244,600	1,244,600	1,201,055	(43,545)
Licenses and Permits:				
Business licenses and permits	14,000	14,000	10,230	(3,770)
	14,000	14,000	10,230	(3,770)
Intergovernmental:				
State government grants	-	-	-	-
Georgia Department of Transportation	-	-	-	-
Other grants	1,000	1,000	55,905	54,905
	1,000	1,000	55,905	54,905
Charges for services:				
Garbage collections	77,200	77,200	54,475	(22,725)
Miscellaneous charges	1,800	1,800	1,556	(244)
	79,000	79,000	56,031	(22,969)
Fees and fines:				
Fines and forfeitures	30,000	30,000	15,878	(14,122)
	30,000	30,000	15,878	(14,122)
Miscellaneous:				
Interest income	40,000	40,000	51,695	11,695
Sale of real estate	-	-	-	-
Rent	800	800	3,163	2,363
Other	7,900	7,900	5,095	(2,805)
	48,700	48,700	59,953	11,253
Total revenues	1,417,300	1,417,300	1,399,052	(18,248)

CITY OF GORDON, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES:				
Current Operating:				
General government	$ 326,324	$ 316,524	$ 269,034	$ 47,490
Public safety	701,599	701,599	688,753	12,846
Public works	384,562	384,562	363,981	20,581
Health and welfare	13,585	13,585	12,922	663
Culture and recreation	56,983	56,983	44,312	12,671
Total operating expenditures	1,483,053	1,473,253	1,379,002	94,251
Capital Outlays:				
General government	23,500	33,300	-	33,300
Public safety	15,234	15,234	201,611	(186,377)
Public works	46,000	46,000	-	46,000
Health and welfare	-	-	-	-
Culture and recreation	5,000	5,000	-	5,000
Total capital expenditures	89,734	99,534	201,611	(102,077)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total debt service	-	-	-	-
Total expenditures	1,572,787	1,572,787	1,580,613	(7,826)
Excess (deficiency) of revenues over expenditures	(155,487)	(155,487)	(181,561)	(26,074)
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	150,000	150,000
Transfers in (out)	(51,422)	(51,422)	(56,675)	(5,253)
	(51,422)	(51,422)	93,325	144,747
Excess (deficiency) of revenues over expenditures and other financing sources	(206,909)	(206,909)	(88,236)	118,673
FUND BALANCE, beginning of year	3,077,112	3,077,112	3,077,112	-
FUND BALANCE, end of year	$ 2,870,203	$ 2,870,203	$ 2,988,876	$ 118,673

CITY OF GORDON, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	$ 126,837	$ 126,837	$ 126,837	$ -
Other income	-	-	-	-
Total revenue	126,837	126,837	126,837	-
EXPENDITURES:				
Current operating	-	-	-	-
Capital outlays	126,837	126,837	126,837	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	126,837	126,837	126,837	-
Excess revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	-	-
Excess revenues and other financing sources (uses) over (under) expenditures	-	-	-	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	$ -	$ -	$ -	$ -

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor are a part of the basic financial statements, but are presented for purposes of additional analysis. Such information includes:

- Combining Statements – Nonmajor governmental funds
- General Fund Statement of Expenditures (Final Budget to Actual) Detailed by Department
- Library Special Revenue Fund Statement of Expenditures (Final Budget to Actual)
- Schedule of Projects Constructed with Special Sales Tax Proceeds
- Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

CITY OF GORDON, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Library Fund	Capital Improvements	
ASSETS:			
Cash and cash equivalents	$ 3,062	$ 18,693	$ 21,755
Other assets	-	-	-
Total assets	$ 3,062	$ 18,693	$ 21,755
LIABILITIES:			
Accounts payable	$ -	$ -	$ -
Other liabilities	-	-	-
Total liabilities	-	-	-
FUND BALANCES:			
Unreserved, reported in:			
Special revenue funds	3,062	-	3,062
Capital projects funds	-	18,693	18,693
Total fund balances	3,062	18,693	21,755
Total liabilities and fund balances	$ 3,062	$ 18,693	$ 21,755

CITY OF GORDON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENT FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Library Fund	Capital Improvements	
REVENUES:			
Intergovernmental	$ 7,400	$ -	$ 7,400
Other	239	120	359
Total revenues	7,639	120	7,759
EXPENDITURES:			
Current operating:			
General government	63,633	-	63,633
Capital outlays	-	-	-
Debt service	-	-	-
Total expenditures	63,633	-	63,633
Excess (deficiency) of revenues over expenditures	(55,994)	120	(55,874)
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	56,675	-	56,675
Total other financing sources and uses	56,675	-	56,675
Net change in fund balance	681	120	801
FUND BALANCE, beginning	2,381	18,573	20,954
FUND BALANCE, ending	$ 3,062	$ 18,693	$ 21,755

CITY OF GORDON, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
GENERAL GOVERNMENT:				
Salaries	$ 95,617	$ 95,617	$ 94,745	$ 872
Fringe benefits	56,830	56,830	58,868	(2,038)
Retirement	7,600	7,600	8,990	(1,390)
Advertising	1,000	1,000	1,128	(128)
Dues	4,500	4,500	4,926	(426)
Economic development	38,767	38,767	6,933	31,834
Election	1,500	1,500	1,070	430
Insurance	20,000	20,000	13,668	6,332
Legal and accounting	24,000	14,200	20,670	(6,470)
Postage	1,900	1,900	1,648	252
Repairs and maintenance	10,200	10,200	8,739	1,461
Supplies	3,600	3,600	3,978	(378)
Telephone	5,075	5,075	6,438	(1,363)
Travel and training	28,900	28,900	17,740	11,160
Utilities	10,500	10,500	10,082	418
Miscellaneous	16,335	16,335	9,411	6,924
Capital outlays	23,500	33,300	-	33,300
Total general government	$ 349,824	$ 349,824	$ 269,034	$ 80,790
PUBLIC SAFETY:				
Salaries	$ 412,429	$ 412,429	$ 416,460	$ (4,031)
Fringe benefits	105,345	105,345	112,648	(7,303)
Retirement	26,000	26,000	32,863	(6,863)
Advertising	850	850	-	850
Dues	8,300	8,300	5,800	2,500
Insurance	51,200	51,200	38,849	12,351
Repairs and maintenance	25,100	25,100	18,423	6,677
Supplies	22,900	22,900	24,194	(1,294)
Telephone	4,300	4,300	5,833	(1,533)
Travel and training	4,150	4,150	2,882	1,268
Uniforms	6,800	6,800	4,834	1,966
Utilities	14,900	14,900	13,732	1,168
Miscellaneous	19,325	19,325	12,235	7,090
Capital outlays	15,234	15,234	201,611	(186,377)
Total public safety	$ 716,833	$ 716,833	$ 890,364	$ (173,531)

CITY OF GORDON, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
PUBLIC WORKS:				
Salaries	$ 131,972	$ 131,972	$ 129,053	$ 2,919
Fringe benefits	28,200	28,200	27,953	247
Retirement	16,150	16,150	21,045	(4,895)
Insurance	18,900	18,900	14,236	4,664
Legal and accounting	3,400	3,400	-	3,400
Repairs and maintenance	18,700	18,700	11,469	7,231
Supplies	30,650	30,650	22,431	8,219
Telephone	750	750	989	(239)
Travel and training	900	900	400	500
Uniforms	2,400	2,400	3,616	(1,216)
Utilities	48,100	48,100	49,112	(1,012)
Waste pickup service	78,540	78,540	73,482	5,058
Miscellaneous	5,900	5,900	10,195	(4,295)
Capital outlays	46,000	46,000	-	46,000
Total public works	$ 430,562	$ 430,562	$ 363,981	$ 66,581
HEALTH AND WELFARE:				
Salaries	$ 2,585	$ 2,585	$ 2,243	$ 342
Insurance	800	800	465	335
Repairs and maintenance	1,200	1,200	449	751
Supplies	9,000	9,000	9,765	(765)
Total health and welfare	$ 13,585	$ 13,585	$ 12,922	$ 663
CULTURE AND RECREATION:				
Salaries	$ 14,183	$ 14,183	$ 14,780	$ (597)
Advertising	1,000	1,000	963	37
Dues	600	600	625	(25)
Insurance	7,900	7,900	6,160	1,740
Postage	400	400	56	344
Repairs and maintenance	3,000	3,000	26	2,974
Supplies	5,500	5,500	10,719	(5,219)
Travel and training	2,300	2,300	775	1,525
Utilities	2,000	2,000	3,224	(1,224)
Miscellaneous	20,100	20,100	6,984	13,116
Capital outlays	5,000	5,000	-	5,000
Total culture and recreation	$ 61,983	$ 61,983	$ 44,312	$ 17,671

CITY OF GORDON, GEORGIA
LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	$ 7,400	$ 7,400	$ 7,400	$ -
Other	110	110	239	129
	7,510	7,510	7,639	129
EXPENDITURES:				
Current operating:				
Salaries	43,882	43,882	40,016	3,866
Insurance	1,600	1,600	739	861
Miscellaneous	1,700	1,700	1,463	237
Repairs and maintenance	3,350	3,350	14,014	(10,664)
Utilities	8,400	8,400	7,401	999
Capital outlays	-	-	-	-
Total expenditures	58,932	58,932	63,633	(4,701)
Excess revenues over (under) expenditures	(51,422)	(51,422)	(55,994)	(4,572)
OTHER FINANCING SOURCES (USES)				
Transfers in	51,422	51,422	56,675	5,253
Excess revenues and other financing sources (uses) over (under) expenditures	-	-	681	681
FUND BALANCE, beginning of year	2,381	2,381	2,381	-
FUND BALANCE, end of year	$ 2,381	$ 2,381	$ 3,062	$ 681

CITY OF GORDON, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2010

Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development (HUD)			
Pass through from the Georgia Department of Community Affairs Community Development Block Grant - Sewer Improvements	14.219	07p-x-158-2-3302	$ 126,837
U.S. Department of Health and Human Services (HHS)			
Office of the Secretary of State - Polling Place Improvements	93.617	2009-2	5,905
U.S. Department of Agriculture (USDA), Rural Development			
Community Facilities Loans and Grants - American Recovery and Reinvestment Act - Fire truck	10.780		200,000
U.S. Department of Transportation			
Pass through from the Georgia Department of Transportation TE - Construction of Gordon Main Street Streetscape	20.205	IEE-0006-00 (563) E3	238,467
Total Expenditures of Federal Awards			$ 571,209

CITY OF GORDON, GEORGIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2010

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Gordon, Georgia and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Mayor and Council
City of Gordon, Georgia

Compliance

We have audited the City of Gordon, Georgia's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. The City of Gordon, 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 referred to above is the responsibility of the City of Gordon's management. Our responsibility is to express an opinion on the City of Gordon, 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 Gordon, 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 Gordon, Georgia's compliance with those requirements.

In our opinion, the City of Gordon, Georgia complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended September 30, 2010.

MEMBERS OF PRIVATE COMPANIES PRACTICE SECTION OF THE AMERICAN INSTITUTE OF CPAs
AND THE GEORGIA SOCIETY OF CPAs

Internal Control Over Compliance

Management of the City of Gordon, Georgia is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City of Gordon, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Gordon, 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

This report is intended solely for the information and use of management, City Council, 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.

Wright & Wright, P.C.

January 13, 2011

CITY OF GORDON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2010

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Gordon, Georgia.
2. No significant deficiencies relating to the audit of the financial statements are reported in the City of Gordon, Georgia report.
3. No instances of noncompliance material to the financial statements of the City of Gordon, Georgia were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the City of Gordon, Georgia report.
5. The auditors' report on compliance for the major federal award programs for the City of Gordon, Georgia expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the City of Gordon, Georgia.
7. The programs tested as major programs include the HUD Community Development Block Grant and the USDA Community Facilities Loans and Grants.
8. The threshold for distinguishing Types A and B programs was $300,000.
9. The City of Gordon, Georgia did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

None noted

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported

CITY OF GORDON, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL SALES TAX PROCEEDS
For the Year Ended September 30, 2010

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
Roads	$666,709	$2,000,000	$838,903	$ 592,293	$1,431,196	71.56%
Depot renovation	21,669	75,000	56,885	-	56,885	75.85%
Public safety:						
Fire equipment	-	25,000	20,405	-	20,405	81.62%
Police equipment		125,000	26,709	47,619	74,328	59.46%
General government equipment		80,000	44,276	2,483	46,759	58.45%
Water and sewer	-	469,090	378,910	60,000	438,910	93.57%
Recreation	67,720	250,000	194,586	32,593	227,179	90.87%

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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 Council
City of Gordon, Georgia

We have audited the financial statements of the governmental activities, the business type activities and each major fund of the City of Gordon, Georgia as of and for the year ended September 30, 2010, which collectively comprise the City of Gordon's basic financial statements and have issued our report thereon dated January 13, 2011. 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 Gordon, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gordon, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Gordon'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 questioned costs, that we consider to be significant deficiencies in internal control over financial reporting A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Gordon, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 10-1 through 10-2.

We noted certain matter that we reported to management of the City of Gordon, Georgia, in a separate letter dated January 13, 2011

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

This report is intended solely for the information and use of management, City Council, 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.

Wright & Wright, P.C.

January 13, 2011

CITY OF GORDON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2010

10-1 Controls Over Financial Statement Presentation

Condition

City personnel do not currently possess the professional skills necessary to prepare or review the year end financial statements in sufficient detail to detect material misstatements in the financial statements and related footnotes.

Effect

The deficiency identified above could result in a material misstatement to the City's financial statements that would not be prevented or detected on a timely basis.

Recommendation

The City should consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.

Views of Responsible Officials

We concur. We will evaluate the cost effectiveness of implementing the control and act accordingly.

10-2 Budgetary

Condition

In the City's General Fund and Library Special Revenue Fund, actual expenditures exceeded budget appropriations in multiple departments. This is a violation of state law.

Effect

Fiscal control and accountability over departmental expenditures may be jeopardized.

Recommendation

The City should monitor the budget and amend it when appropriate.

Views of Responsible Officials

Our City Council will analyze budgetary financial data periodically and amend the budget when appropriate.

CITY OF GORDON

The Kaolin Center

P.O. Box 387

Gordon, Georgia 31031

Georgia Department of Audits & Accounts
Attn: Mr. Edward Blaha, Director
270 Washington Street, S.W.
Suite 1-156
Atlanta, Georgia 30334-8400

Gentlemen:

The following constitutes our corrective action plan regarding the findings and recommendations in our audit report for the year ended September 30, 2010

With respect to the findings in the "Independent Auditor's Report on Internal Control Structure Based on an Audit of General Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*," we submit the following comments:

1. We annually review our system of internal control after our audited financial statements are received, along with any suggestions from the accounting firm as to improvements that can be made to strengthen controls.

2. We are a small municipal government with a full-time clerk and one other office employee. We have separated accounting duties as much as possible, but because of two sets of books, one for general fund and one for water fund, this is difficult to do. The mayor and a council member co-sign checks after the council approves the bills for payment

   We do not feel that it would be cost effective to hire additional personnel only for the purpose of internal control duty separations.

3. City personnel do not cuurently possess the professional skills necessary to prepare or review the year end financial statements and related footnotes. The City will consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.

4. The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended September 30, 2010:

Public safety - capital outlays	$ 186,377

   In the Library Special Revenue Fund, actual expenditures exceeded appropriations by $4,701.

   These overexpenditures were funded by greater than anticipated revenues and by available fund balance. The Mayor and Council plan in the future to more closely monitor expenditures to determine if budget amendments need to be made or if cost cutting measures need to be formulated.

We feel that our internal control system is as strong as possible in the above described situation with the limited number of personnel involved. As indicated in the auditor's report, no significant errors or irregularities were found because of our lack of segregation of duties

Should you need any further explanation of this matter please contact us.

Sincerely,

Kenneth L. Turner

Kenneth Turner
Mayor, City of Gordon