CITY OF HELEN, GEORGIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

WALKER & ASSOCIATES, CPA'S, PC

CITY OF HELEN, GEORGIA
FISCAL YEAR ENDED JUNE 30, 2012
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Walker and Associates
Certified Public Accountants

Independent Auditor's Report

To the City Commissioners
City of Helen, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Helen, Georgia, as of and for the year ended June 30, 2012, 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 Helen, 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, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Helen, Georgia, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows 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 also issued our report dated December 26, 2012, on our consideration of the City of Helen, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City of Helen, Georgia has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements. However, the City of Helen, Georgia has presented budget comparison information on pages 25 through 27 to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Helen, Georgia's financial statements as a whole. The combining and individual nonmajor fund financial statements, and the schedule of special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The schedule of expenditures of federal awards, the combining and individual nonmajor fund financial statements, and the schedule of expenditures of special purpose local option sales tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Sincerely,

Walker & Associates

Walker & Associates
Certified Public Accountants
December 26, 2012

CITY OF HELEN, GEORGIA

Statement of Net Position
June 30, 2012

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and cash equivalents	$ 2,547,810	$ 670,766	$ 3,218,576	$ 106
Receivables (net)	553,186	65,354	618,540	-
Prepaid expenses	47,801	5,706	53,507	-
Restricted Cash	-	162,790	162,790	-
Other assets	9,265	36,562	45,827	-
Nondepreciable capital assets	1,744,725	209,556	1,954,281	-
Capital assets, net	3,683,966	5,999,379	9,683,345	-
Total assets	8,586,753	7,150,113	15,736,866	106
Deferred outflows of resources	-	-	-	-
Liabilities				
Accounts payable and other liabilities	104,541	87,980	192,521	-
Internal balances	168,891	(168,891)	-	-
Accrued balances	14,690	2,527	17,217	-
Noncurrent liabilities:				
Due within one year	114,482	159,175	273,657	-
Due in more than one year	555,255	1,118,802	1,674,057	-
Total liabilities	957,859	1,199,593	2,157,452	-
Deferred inflows of resources	-	-	-	-
Net investment in capital assets	4,882,528	4,949,011	9,831,539	-
Restricted for:				
Capital projects	1,769,212	-	1,769,212	-
Debt service	-	107,951	107,951	-
Tree replacement	35	-	35	-
Tourism Promotion	45,126	-	45,126	-
Law Enforcement	8,578	-	8,578	-
Unrestricted	923,415	893,558	1,816,973	106
Total net position	$ 7,628,894	$ 5,950,520	$ 13,579,414	$ 106

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

CITY OF HELEN, GEORGIA
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Primary government:								
Governmental activities								
General government	$ 1,113,633	$ 558,005	$ 15,570	$ 504,792	$ (35,266)	$ -	$ (35,266)	$ -
Public safety	978,955	158,160	54,595	-	(766,200)	-	(766,200)	-
Streets and sanitation	516,991	37,196	-	-	(479,795)	-	(479,795)	-
Health and welfare	-	-	-	-	-	-	-	-
Culture and recreation	260,309	-	-	-	(260,309)	-	(260,309)	-
Miscellaneous government	-	-	-	-	-	-	-	-
Interest on long term debt	20,023	-	-	-	(20,023)	-	(20,023)	-
Total governmental activities	2,889,911	753,361	70,165	504,792	(1,561,593)	-	(1,561,593)	-
Business-type activities								
Water and Sewer	835,157	737,519	-	901,600		803,962	803,962	-
Total business-type activities	835,157	737,519	-	901,600		803,962	803,962	-
Total primary government	$ 3,725,068	$ 1,490,880	$ 70,165	$ 1,406,392			(757,631)	-
Component Units:								
General revenues:								
Taxes:								
Property taxes, levied for general purposes					368,363	-	368,363	-
Franchise tax					137,098	-	137,098	-
Sales taxes					692,428	-	692,428	-
Hotel/Motel taxes					704,957	-	704,957	-
Interest and investment earnings					6,159	1,817	7,976	-
Miscellaneous					18,220	-	18,220	-
Transfers					(511,662)	511,662	-	-
Total general revenues, special items, and transfers					1,415,563	513,479	1,929,042	-
Change in net position					(146,030)	1,317,441	1,171,411	-
Net position-beginning					7,774,924	4,633,079	12,408,003	106
Net position-ending					$ 7,628,894	$ 5,950,520	$ 13,579,414	$ 106

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

CITY OF HELEN, GEORGIA

Balance Sheet
Governmental Funds
June 30, 2012

Assets	General Fund	Hotel/ Motel Tax Fund	Capital Projects Fund	Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash	$ 831,107	$ -	$ 788,416	$ 919,674	$ 8,613	$ 2,547,810
Due from other governments	61,874	-	77,272	-	-	139,146
Receivables (net)	138,974	80,224	-	194,842	-	414,040
Prepaid expenditures	47,801	-	-	-	-	47,801
Due from other funds	25,951	-	-	-	-	25,951
Total assets	1,105,707	80,224	865,688	1,114,516	8,613	3,174,748
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows	$ 1,105,707	$ 80,224	$ 865,688	$ 1,114,516	$ 8,613	$ 3,174,748
Liabilities						
Accounts payable	$ 29,942	$ 35,098	$ 16,150	$ -	$ -	$ 81,190
Payroll taxes	23,351	-	-	-	-	23,351
Accrued expenditures	6,632	-	-	-	-	6,632
Due to other funds	-	-	-	194,842	-	194,842
Deferred revenue	100,745	-	-	-	-	100,745
Total liabilities	160,670	35,098	16,150	194,842	-	406,760
Deferred inflows of resources	-	-	-	-	-	-
Total liabilities and deferred inflows	160,670	35,098	16,150	194,842	-	406,760
Fund balance						
Nonspendable:						
Prepaid expenditures	47,801	-	-	-	-	47,801
Restricted for:						
Capital projects	-	-	849,538	919,674	568	1,769,780
Law enforcement	-	-	-	-	8,010	8,010
Tourism Promotion	-	45,126	-	-	-	45,126
Committed:						
Tree fund memorial	-	-	-	-	35	35
Assigned:						
Unassigned	897,236	-	-	-	-	897,236
Total Fund Balance	945,037	45,126	849,538	919,674	8,613	2,767,988
Total liabilities, deferred inflows and fund balance	$ 1,105,707	$ 80,224	$ 865,688	$ 1,114,516	$ 8,613	$ 3,174,748

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

CITY OF HELEN, GEORGIA

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2012

Total fund balances - governmental funds	$ 2,767,988
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 governmental funds.	
Governmental capital assets	11,045,769
Less: Accumulated depreciation	(5,617,078)
Accrued interest payable not reported in governmental funds	(8,058)
Accrued personal leave not reported in governmental funds	(123,574)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of capital leases and revenue bonds.	(546,163)
Debt issuance costs are reported as current year expenditures in the governmental funds and amortized over the life of the note in governmental activities.	9,265
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	100,745
Net position of governmental activities	$ 7,628,894

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

CITY OF HELEN, GEORGIA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2012

Revenues	General Fund	Hotel/ Motel Tax Fund	Capital Projects Fund	Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Property Taxes	$ 368,363	$ -	$ -	$ -	$ -	$ 368,363
Sales Taxes	692,428	-	-	-	-	692,428
Fines and Forfeitures	151,598	-	-	-	8,275	159,873
Intergovernmental	62,172	-	450,065	-	40,793	553,030
Charges for services	727,873	704,957	-	-	-	1,432,830
Interest	5,757	-	13,934	402	-	20,093
Miscellaneous	30,439	-	-	-	200	30,639
Total Revenue	2,038,630	704,957	463,999	402	49,268	3,257,256
Expenditures						
Current						
General government	637,700	308,419	16,360	-	-	962,479
Public safety	967,767	-	-	-	6,589	974,356
Streets and Sanitation	438,769	-	93,782	-	204	532,755
Culture and Recreation	128,129	-	-	-	-	128,129
Debt Service						
Principal Retirement	83,868	-	-	-	-	83,868
Interest Charges	19,693	-	-	-	-	19,693
Capital Outlay	-	-	10,325	-	-	10,325
Total Expenditures	2,275,926	308,419	120,467	-	6,793	2,711,605
Excess of revenues (expenditures)	(237,296)	396,538	343,532	402	42,475	545,651
Other financing sources (uses)						
Proceeds from debt	60,295	-	-	-	-	60,295
Transfers in	402,153	-	40,793	919,272	186,585	1,548,803
Transfers out	(37,840)	(394,748)	(1,401,411)	-	(226,466)	(2,060,465)
Total other financing sources and uses	424,608	(394,748)	(1,360,618)	919,272	(39,881)	(451,367)
Net change in fund balance	187,312	1,790	(1,017,086)	919,674	2,594	94,284
Beginning fund balance	757,725	43,336	1,866,624	-	6,019	2,673,704
Ending fund balance	$ 945,037	$ 45,126	$ 849,538	$ 919,674	$ 8,613	$ 2,767,988

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

CITY OF HELEN, GEORGIA

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012

Net change in fund balances-total governmental funds	$	94,284
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation ($367,438) exceeded capital outlay ($75,655) in the current period.		(291,783)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.		23,573
Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds, but considered as revenues in the government wide financial statements. This amount represents the reclassification in deferred revenue.		(1,713)
Change in accrued interest and amortization of deferred charges on long term debt		(330)
Long term liability for compensated absences. This represents the change in vested benefit of employees for vacation pay earned but not taken as of the year end.		29,939
Net Change in net position of governmental activities	$	(146,030)

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

CITY OF HELEN, GEORGIA

Statement of Net Position

Proprietary Fund

June 30, 2012

	Water and Sewer Fund
Assets	
Current Assets:	
Cash - operating	$ 670,766
Accounts Receivable (Net)	65,354
Due from Other Funds	194,842
Accrued Revenue	7,555
Prepaid Insurance	5,706
Total Current Assets	944,223
Noncurrent Assets:	
Restricted cash	162,790
Capital assets	
Land	209,556
Buildings	22,982
Improvements other than buildings	8,221,062
Machinery and equipment	917,266
Less: Accumulated depreciation	(3,161,931)
Deferred Charge	29,007
Total noncurrent assets	6,400,732
Total Assets	7,344,955
Deferred outflows of resources	-
Liabilities	
Accounts Payable	15,190
Accrued Expenses	2,527
Due to Other Funds	25,951
Customer Deposits	72,790
Due within one year	159,175
Noncurrent Liabilities:	
Compensated Absenses	18,053
Due in more than one year	1,100,749
Total Liabilities	1,394,435
Deferred inflows of resources	-
Net investment in capital assets	4,949,011
Restricted for debt service	107,951
Unrestricted	893,558
Total net position	$ 5,950,520

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

CITY OF HELEN, GEORGIA

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2012

	Water and Sewer Fund
Operating Revenue	
Charges for Service	$ 723,698
Connection Fees	13,700
Miscellaneous Income	121
Total Operating Revenue	737,519
Operating expenses	
Personal services	
Compensation	173,537
Employment Taxes	11,349
Benefits	43,839
Total Personal Services	228,725
Other operating expenses	
Purchased Water	13,642
Supplies	34,983
Repairs and Maintenance	63,216
Utilities	102,022
Rental Equipment	6,937
Miscellaneous	8,099
Depreciation	313,494
Insurance	10,892
Engineering, Lab Fees and Training	17,953
Total other operating expenses	571,238
Total Operating Expenses	799,963
Operating Income (loss)	(62,444)
Nonoperating revenues(expenses)	
Intergovernmental	901,600
Interest Income	1,817
Interest Expense	(35,194)
Total NonOperating Revenues (Expenses)	868,223
Transfer In	519,067
Tranfer Out	(7,405)
Change in Net Position	1,317,441
Net position-beginning	4,633,079
Net position-ending	$ 5,950,520

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

CITY OF HELEN, GEORGIA

Statement of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2012

	Water and Sewer
Cash flows from operating activities:	
Receipts from customers	$ 737,519
Payments to suppliers	(257,774)
Payments to employees	(228,725)
Net cash provided by operating activities	251,020
Cash flows from noncapital financing activities:	
Advances from Other funds	17,875
Advances to Other funds	(194,942)
Transfers from other funds	519,067
Transfer to other funds	(7,405)
Net cash provided by noncapital financing activities	334,595
Cash flows from capital and related financing activities:	
Proceeds from debt	189,255
Capital Grant Proceeds	441,595
Purchase of capital assets	(949,255)
Debt payments, principal and interest	(180,740)
Net cash provided (used) by capital and related financing activities	(499,145)
Cash flows from investing activities:	
Interest on investments	1,817
Net cash provided by investing activities	1,817
Net increase in cash and cash equivalents	88,287
Cash and cash equivalents - beginning of year	745,269
Cash and cash equivalents - end of year	$ 833,556
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	$ (62,444)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	313,494
Changes in assets and liabilities:	
Receivables and accrued revenue	(6,563)
Accounts payable	(5,900)
Compensated absences	2,358
Accrued expenses	(240)
Prepaid expenses	150
Customer deposits	10,165
Net cash provided by operating activities	$ 251,020

Noncash Investing, capital, and financing activities:
The Water & Sewer Fund recognized $460,005 of capital grant proceeds recorded in the prior year as deferred

Debt issuance cost of $1,826 was amortized and recorded as additional interest expense

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1-A The Reporting Entity

The reporting entity is made up of the primary government and its component units.

The foundation of a primary government is a separately elected governing body--one that is elected by the citizens in a general, popular election. As the nucleus of the financial reporting entity, the primary government generally is the focal point for the users of the financial statements. A primary government is any state government or general purpose local government (municipality or county) that meets all of the following criteria:

a. It has a separately elected governing body.
b. It is **legally separate**.
c. It is **fiscally independent** of other state and local governments.

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

The following circumstances set forth a primary government's financial accountability for a legally separate organization.

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

In accordance with GASB 14 the following component unit is included the City's financial statements under the Discretely Presented Component Unit caption.

1. The Downtown Development Authority is governed by a seven member board, appointed by the City Commission and is a separate legal, public body corporate and politic created and existing under instrumentality of the City of Helen for the purpose of acquiring and financing land to be leased to the City of Helen for use as a public pay parking lot.

The above component unit's General Fund is reflected on the City's financial statements under the Discretely Presented Component Unit caption. No separate statements are available.

1-B Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category- governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The City reports the following major governmental funds:

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

Hotel/Motel Tax Fund. This is a special revenue fund which accounts for the receipt and expenditure of Hotel/Motel tax revenues.

Capital Projects Fund:

SPLOST Fund: This fund accounts for resources set aside by the City for capital projects and also capital projects funded by *Special Purpose Local Option Sales Taxes.* The SPLOST provides financial resources which are to be expended for purposes approved by referendum.

Other Capital Projects Fun: The City set aside this fund for major downtown renovations.

The City reports the following major proprietary fund:

Water and Sewer Fund. This fund accounts for the operations of the City's water and sewer services.

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

Receivables from and payables to external parties are reported separately and not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Measurement Focus, Basis of Accounting

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end except for property taxes for which sixty days after year end applies. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and adjustments, and compensated absences, which are recognized as expenditures to the extent they have matured.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Investments

As of June 30, 2012, the City did not have investments.

Cash and Cash Equivalents

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

Restricted Assets

These assets are held in the capital projects fund and special revenue funds for specific purposes defined by statute, referendum, or grant contract and not generally available for general government operations.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for doubtful collections.

Property Tax Calendar

The City set its millage rate for 2011 on July 29, 2011 at 5.20 mils. Property tax bills were mailed on August 16, 2011 and were due November 15, 2011. Penalties and interest are due on all accounts not paid by the due date. Fifa's on delinquent tax accounts could be filed on November 16, 2011. The City contracts with the White County Tax Commissioner's Office to process tax bills, collect and remit tax payments. The fee for this service is $5.00 per tax bill.

Inventories and Prepaid Items

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $2,500 (amount not rounded) and an estimated useful life in excess of two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of amount.

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

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

Asset Class	*Estimated Lives*	*Capitalization Threshold*
Buildings	35	$2,500
Building Improvements	35	$2,500
Vehicles	7-15	$2,500
Equipment	5-25	$2,500
Infrastructure	20-25	$2,500

Compensated Absences

General leave for the City includes both vacation and sick pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid full value for any accrued leave earned not to exceed the number of leave hours outlined in the employee policy manual.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represents a reconciling item between the fund and government-wide presentations. Vested or accumulated general leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. The balance of compensated absences is recorded as a noncurrent liability and disclosed as a long term debt.

Estimates

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

Retirement Plans

The City sponsors the Helen Section 457 Deferred Compensation Plan, a defined contribution plan, for the benefit of its employees. All funding is from employee deferrals. In order to participate, an employee must work for the City for at least six months. From six months to two years, the employee contributes a percentage of salary. From year two to year five, the City will match up to 5% of the employee's salary. After the fifth year of employment, the City will match up to 10% of the employee's salary. The plan holds its assets in a separate trust invested in annuity contracts in the name of each participant and consequently is not reported on the City's financial statements. As administrator of the plan, the City may amend the plan at its discretion. For the year ending June 30, 2012, the eleven (11) employee/participants contributed $36,049 to the plan, and the employer matched with a contribution of $35,213.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Deferred outflows/inflows of resources

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

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

Recently Issued Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* GASBS No. 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement is effective for periods beginning after December 15, 2011. The City does not have any SCAs and therefore the adoption of GASBS No. 60 does not have any impact on the City's financial statements.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements no. 14 and No. 34.* GASBS No. 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This Statement is effective for periods beginning after June 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In December 2010, the GASB issued Statement No. 62,*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The provisions of Statement 62 are effective for periods beginning after December 15, 2011. Early application is encouraged which Management has elected to do.

1-D Fund Equity

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

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

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

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

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

Committed
Assigned
Unassigned

Net position - Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position are reported as restricted as described in the fund balance section above. All other net position are reported as unrestricted.

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

NOTE 2. CASH [Primary government]

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

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

At June 30, 2012, all bank deposits were insured or fully collateralized.

NOTE 3. RECEIVABLES [Primary government]

The following is a summary of amounts due from others at June 30, 2012.

Governmental funds:	
Due from other governments	$139,146
Taxes receivable, net	414,040
	553,186
Business-Type funds:	
Accounts receivable, net	65,354
	$618,540

NOTE 4. LITIGATION [Primary government]

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

NOTE 5. DEFERRED CHARGE [Primary government]

Bond issuance cost is capitalized as a deferred charge on the balance sheet and is amortized over the life of the bonded indebtedness. The amount reported on the Statement of Net position is net of amortization:

Business-type activities	$29,007
Governmental activities	$ 9,265

NOTE 6. LONG-TERM DEBT [Primary government]

The City's Long Term Debt consists of obligations under capital leases and revenue bonds and notes payable. The following is a summary of changes in long-term debt for the year ended June 30, 2012. The amounts reported as Long Term Debt in the Statement of Net position represents amounts not expected to be paid with expendable available resources. The interest expense reported in the government-wide Statement of Activities for governmental activities is $20,023 which was paid as a direct cost of long-term debt. In business-type activities, the City incurred $35,194 as a direct cost of long-term debt.

Governmental Activities Debt – The following is a summary of the outstanding debt for the City's governmental activities.

Bonds -- On November 11, 1995, the City issued $300,000 in Revenue Bonds for the purchase and development of a new Welcome Center. These bonds were issued at a rate of 3.25%, require monthly payments of $2,111 and mature on June 1, 2016. Annual debt service requirements to amortize the 1995 series bonds are as follows:

Year	Principal	Interest	Total
2013	20,655	4,672	25,327
2014	21,880	3,447	25,327
2015	23,177	2,149	25,326
2016	25,582	775	26,357
Totals	$ 91,294	$ 11,043	$ 102,337

Capital Leases -- The City has entered into capital lease agreements as lessee for financing the acquisition of land, police vehicles, equipment and a building. These leases qualify as capital leases for accounting purposes (i.e., title transfers at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of the inception of the lease. Capital lease payments are reflected as debt service expenditures at the fund reporting level. The City has two capital lease arrangements outstanding at June 30, 2012.

On December 21, 2004, the City entered into a capital lease to finance the acquisition of land and building and the remodeling of the building to be used as the new City Hall, at a rate of 5.17%, with annual payments of $31,354 and a maturity date of March 3, 2019.

On July 9, 2007, the City entered into a capital lease to finance the acquisition of a Mini-Pumper Emergency Body, at a rate of 4.78%, with monthly payments of $2,613 and a maturity date of April 15, 2012.

On October 7, 2011, the City entered into a capital lease to purchase accounting software from Computer Software Innovations, Inc. They have a loan with BB&T at a rate of 3.33%, with 48 monthly payments of $1,343 and a maturity date of October 7, 2015.

NOTE 6. LONG-TERM DEBT(continued)

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Land	$ 210,000
Buildings	470,139
Equipment	46,750
Less accumulated depreciation	(124,865)
Total	$ 602,024

The outstanding balance of the corresponding liabilities is included in governmental activities long-term debt. Future minimum lease payments are as follows:

Total Governmental Capital Leases:

Year	Principal	Interest	Total
2013	93,827	15,563	109,390
2014	45,934	13,864	59,798
2015	47,698	12,100	59,798
2016	49,529	10,269	59,798
2017	51,431	8,367	59,798
2018-2020	166,450	12,945	179,395
Totals	$ 454,869	$ 73,108	$ 527,977

Business-type Activities Debt – The following is a summary of the outstanding debt for the City's business-type activities.

Bonds -- In November 1995, the City issued Water and Sewerage Revenue Refunding Bonds, Series 1995 in the amount of $1,350,000, at an interest rate of 5.65%, with quarterly payments of $29,308 and a maturity date of November 30, 2015. Proceeds from this issue were used for water plant improvements.

Maturities and debt service requirements remaining on the bond issue are as follows:

Year	Principal	Interest	Total
2013	110,024	7,208	117,232
2014	114,193	3,039	117,232
2015	8,484	90	8,574
Totals	$ 232,701	$ 10,337	$ 243,038

Intergovernmental loans:

In October 2005, the City received a loan from GEFA in the amount of $724,687, in order to repair tornado damage to the City's waste treatment facility. Those repairs were completed, as of June 30, 2007, and the draw note was converted to a permanent loan to be amortized over 20 years at an interest rate of 3.73%, amortized quarterly, with payments of $12,894, with a maturity date of December 1, 2026.

In November 2007, the City received a loan from GEFA in the amount of $115,163, in order to repair/improve the waste treatment spray fields. The loan rate is 2% amortized monthly, with payments of $1,060, with a maturity date of November 1, 2027.

NOTE 6. LONG-TERM DEBT(continued)

In August 2009, the City received a loan from Georgia Environmental Facilities Authority to borrow $1,288,000 for the rehabilitation of the city's wastewater treatment facility. In accordance with the American Recovery and Reinvestment Act of 2010 ("ARRA") the lender has agreed to forgive 70% of the loan balance once construction is completed. Construction on the wastewater treatment facility was completed on June 30, 2012. The remaining 30% balance totaling $386,400 is a 20 year note at 3.00 percent interest repaid by the City in monthly installments of $2,143 beginning on January 1, 2013. The remaining 70%, totaling $901,600 has been recorded as nonoperating debt forgiveness revenue for the year ended June 30, 2012.

The maturities and debt service requirements are as follows:

Year	Principal	Interest	Total
2013	49,151	27,995	77,146
2014	57,969	32,039	90,008
2015	59,847	30,162	90,009
2016	61,787	28,221	90,008
2017	63,795	26,213	90,008
2018-2022	290,566	101,192	391,758
2023-2027	313,892	46,780	360,672
2028-2032	117,490	11,090	128,580
2033	12,743	111	12,854
Totals:	$ 1,027,240	$ 303,803	$ 1,331,043

Changes in Long-term Debt – Changes in the City's long-term obligations, including current portions, consisted of the following for the year ended June 30, 2012:

	Outstanding 07/01/11	Additions	Reductions	Outstanding 06/30/12	Amount Due in One Year
Governmental Activities					
Revenue Bonds	$ 111,714	$ -	$ 20,420	$ 91,294	$ 20,655
Capital Leases	458,022	60,295	63,448	454,869	93,827
Compensated Absences	153,513	-	29,939	123,574	-
Net Governmental Activities	**$ 723,249**	**$ 60,295**	**$ 113,807**	**$ 669,737**	**$ 114,482**
Business-Type Activities					
Water & Sewer Revenue Bonds	$ 339,402	$ -	$ 106,701	$ 232,701	$ 110,024
Intergovernmental loans	681,494	386,400	40,671	1,027,223	49,150
Compensated Absences	15,695	2,358	-	18,053	-
Net Business-Type Activities	**$ 1,036,591**	**$ 388,758**	**$ 147,372**	**$ 1,277,977**	**$ 159,174**

Compensated absences are composed of accumulated personal leave pay at June 30, 2012, which will be paid from the General fund and the Water and Sewer fund.

NOTE 7. DEFERRED REVENUE:

Deferred revenue in the governmental fund financial statements:

Fines and Forfeitures	$ 92,096	Imposed nonexchange transaction which is received beyond the City's period of availability.
Tax revenues	8,649	Taxes earned in the current year but received beyond the City's period of availability.
Total	$ 100,745	

NOTE 8. RISK MANAGEMENT [Primary government]

The City purchases Workers Compensation Insurance through the Georgia Municipal Association Worker's Compensation Self Insurance Fund. The City's policy year starts on January 1st and ends on December 31st of each year. The premium for the policy year of 2012 was $55,819. The City also purchases General Liability Insurance through the Georgia Interlocal Management Agency. The City's policy year starts May 1st and ends on April 30th of each year. The premium for the year ending April 30, 2012 was $59,859.

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

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

With respect to other types of risk including torts, theft or destruction of assets, errors of omissions, and acts of God, the City has purchased sufficient insurance and, therefore, transferred risk of loss. There have been no settlements in the previous three years in excess of insurance.

NOTE 9. HOTEL-MOTEL TAX COMPLIANCE [Primary government]

As required by code section 48-13-51 of the O.C.G.A the city is required to contract with an independent nonprofit entity to spend 40% of the first 5% of the tax assessed on the promotion of tourism and trade. In addition, 50% of the amount assessed over 5% must also be expended for promotion of tourism and trade through the independent nonprofit entity. The remaining 50% of the additional 3% must be retained by the City and expended for the promotion of tourism and trade. At June 30, 2012, the City funds the Alpine Helen/White County Convention and Visitors Bureau for the expenditure of this tax revenue and provides the CVB with 43.75% percent of total tax collections

Tax Collections:	$704,957
Amount Provided to CVB:	$308,419
City Promotion Expenditures:	$394,748

NOTE 10. CAPITAL ASSETS

	Primary Government			
	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	$ 20,460	$ 41,940	$ -	$ 62,400
Land and improvements	1,682,325	-	-	1,682,325
Total capital assets not being depreciated	1,702,785	41,940	-	1,744,725
Capital assets being depreciated				
Buildings	2,480,912	-	-	2,480,912
Vehicles	692,424	33,715	32,136	694,003
Equipment	436,117	-	55,419	380,698
Road network	5,745,431	-	-	5,745,431
Total capital assets being depreciated	9,354,884	33,715	87,555	9,301,044
Less accumulated depreciation for:				
Buildings	1,055,150	70,751	-	1,125,901
Vehicles	534,342	48,762	32,136	550,968
Equipment	243,511	26,670	55,419	214,762
Road network	3,504,192	221,255	-	3,725,447
Total accumulated depreciation	5,337,195	367,438	87,555	5,617,078
Total capital assets being depreciated, net	4,017,689	(333,723)	-	3,683,966
Governmental activity assets, net	$5,720,474	$ (291,783)	$ -	$ 5,428,691

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$295,831
Public safety	61,205
Streets and sanitation	10,402
Total depreciation	$367,438

Business-type activities:	
Water and Sewer	$313,494

NOTE 10. CAPITAL ASSETS(continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer				
Capital assets not being depreciated:				
Land	$ 209,556	$ -	$ -	$ 209,556
Construction in progress	1,454,079	818,439	2,272,518	-
Total capital assets not being depreciated	1,663,635	818,439	2,272,518	209,556
Capital assets being depreciated:				
Buildings	22,982	-	-	22,982
Equipment	896,073	55,981	34,788	917,266
Water and sewer system	5,873,709	2,347,353	-	8,221,062
Total capital assets being depreciated	6,792,764	2,403,334	34,788	9,161,310
Less accumulated depreciation for:				
Buildings	16,086	1,018	-	17,104
Equipment	771,423	39,291	34,788	775,926
Water and sewer system	2,095,716	273,185	-	2,368,901
Total accumulated depreciation	2,883,225	313,494	34,788	3,161,931
Total capital assets being depreciated, net	3,909,539	2,089,840	-	5,999,379
Business-type activity assets, net	$5,573,174	$2,908,279	$2,272,518	$ 6,208,935

NOTE 11. BUDGETS [Primary government]

The following are Governmental Funds for which budgets were legally adopted:

	Budgeted Expenditures and other Financing Uses	Actual Expenditures and Other Financing Uses	Actual in Excess of Appropriations
General Fund			
General government	$ 631,452	$ 637,701	$ 6,249
Streets and sanation	$ 412,348	$ 438,769	$ 26,421
Culture and recreation	$ 110,700	$ 128,129	$ 17,429
Debt service	$ 91,471	$ 103,561	$ 12,090

The City's legal level of control is at the department level which is the basis on which the Budgetary Comparison Schedule is prepared.

NOTE 12. INTERFUND BALANCES AND TRANSFERS

	Other Capital Projects Fund	Water & Sewer Fund	Totals
Due From			
General Fund		$ 25,951	$ 25,951
Water & Sewer	194,842	-	194,842
Totals	$ 194,842	$ 25,951	$ 220,793

These balances resulted 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.

This government reports interfund transfers between many of its funds. Some of the transfers are considered immaterial and are aggregated into a single column or row titled *Other Funds.* The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. These transfers have been eliminated from the government-wide financial statements.

		Transfer from					
		General Fund	Capital Projects	Hotel/Motel Tax	Grant Fund	Enterprise Fund	Total
Transfer to	General Fund	$ -	$ -	$ 394,748	$ -	$ 7,405	$ 402,153
	Capital Projects	-	-	-	40,793	-	40,793
	Other Capital Projects	-	919,272	-	-	-	919,272
	Confiscated Asset Fund	912	-	-	-	-	912
	Grant Fund	-	-	-	185,673	-	185,673
	Enterprise Fund	36,928	482,139	-	-	-	519,067
	Total	$ 37,840	$ 1,401,411	$ 394,748	$ 226,466	$ 7,405	$ 2,067,870

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 13. ALLOWANCE FOR UNCOLLECTABLE TAXES AND ACCOUNTS

The balance of taxes and accounts receivable at June 30, 2012, are net of the following allowances for doubtful accounts.

Fund	Taxes	Accounts	Fines
General	$ 169	$ 3,220	$85,485
Enterprise	-0-	9,176	-0-
	$ 169	$12,396	$85,485

NOTE 14. SERIES 1995 WATER AND SEWER BOND COVENANTS

A. The City of Helen has approximately 716 water and sewer customers at June 30, 2012.

NOTE 14. SERIES 1995 WATER AND SEWER BOND COVENANTS (continued)

B. The following is a list of insurance policies and fidelity bonds paid for and in force at June 30, 2012.

Items Covered	Insurance Company	Limits
General Liabilities	Georgia Interlocal Risk Management Agency	$1,000,000
Workmans Comp.	Georgia Interlocal Risk Management Agency	$1,000,000
Building & Contents	Georgia Interlocal Risk Management Agency	$8,454,429
Vehicles	Georgia Interlocal Risk Management Agency	$1,000,000
Water Plant Equipment	Georgia Interlocal Risk Management Agency	$8,454,429
Fidelity Bond: Blanket		
City Manager & Clerk	Georgia Interlocal Risk Management Agency	$500,000
Public Officials	Georgia Interlocal Risk Management Agency	$1,000,000
Law Enforcement	Georgia Interlocal Risk Management Agency	$1,000,000

C. Auditor's Statement

The terms and conditions of the Series 1995 bond resolution have been examined for the fiscal year ending June 30, 2012. The City is in compliance with all bond covenants, with the exception of the covenant which requires the City to have adequate water and sewer rates that will create an income.

NOTE 15. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission and is required to pay annual dues thereto. During its year ended June 30, 2012, the City paid $937 in such dues. Membership in the Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the Commission in Georgia. The Commission Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the Commission. Separate financial statements may be obtained from:

Georgia Mountains Regional Commission
1310 W. Ridge Road
Gainesville, GA 30501

NOTE 16. COMPLIANCE

At June 30, 2012, the City was not in compliance with the following statute:

OCGA 36-81-3 Relating to expenditures in excess of appropriations for the General Fund.

The City was not incompliance with series 1995 debt covenants as explained in note 14.

NOTE 17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 21, 2012.

On October 7, 2011, the City financed the purchase of a new accounting software and utility billing software with Computer Software Innovations, Inc. through a long term capital lease. The lease is payable in 48 monthly installments of $1,343. In June 2012, the City decided not to purchase the software and on December 11, 2012 the City paid off the loan to BB&T bank.

CITY OF HELEN, GEORGIA
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Budget to GAAP Differences	Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Over / (Under)	GAAP Basis	Over / (Under)
Revenues						
Property Taxes	$ 378,500	$ 378,500	$ 368,363	$ -	$ 368,363	$ (10,137)
Sales Taxes	635,343	670,686	692,428	-	692,428	21,742
Fines and Forfeitures	123,000	123,000	151,598	-	151,598	28,598
Intergovernmental	64,100	64,100	62,172	-	62,172	(1,928)
Charges for Services	686,970	686,970	727,873	-	727,873	40,903
Interest	1,800	1,800	5,757	-	5,757	3,957
Transfers	341,425	341,425	402,153	-	402,153	60,728
Prior Year Fund Balance	7,975	7,975	-	-	-	(7,975)
Proceeds from debt	-	-	60,295	-	60,295	60,295
Miscellaneous	14,000	14,000	30,439	-	30,439	16,439
Total Revenues	2,253,113	2,288,456	2,501,078	-	2,501,078	212,622
Expenditures						
Current Operating:						
General government	616,881	631,452	637,700	-	637,700	6,248
Public safety	964,136	1,042,485	967,767	-	967,767	(74,718)
Streets and sanitation	436,663	412,348	438,769	-	438,769	26,421
Culture and recreation	143,962	110,700	128,129	-	128,129	17,429
Debt service	91,471	91,471	103,561	-	103,561	12,090
Transfers	-	-	37,840	-	37,840	(37,840)
Total Expenditures	2,253,113	2,288,456	2,313,766	-	2,313,766	25,310
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	$ -	187,312	$ -	187,312	$ 250,462
Fund Balance - beginning	-	-	757,725	-	757,725	-
Fund Balance - ending			$ 945,037		$ 945,037	

See accompanying note to budgetary comparison schedule.

CITY OF HELEN, GEORGIA
Budgetary Comparison Schedule
Hotel/ Motel Tax Fund
For the Year Ended June 30, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Budgetary	Budget to GAAP Differences Over / (Under)	Actual GAAP Basis	Variance with Final Budget Over / (Under)
Revenues						
Charges for services	$ 701,774	$ 796,548	$ 704,957	-	$ 704,957	$ (91,591)
Total Revenues	701,774	796,548	704,957	-	704,957	(91,591)
Expenditures						
Current Operating:						
General government	307,026	348,490	308,419	-	308,419	(40,071)
Other financing uses						
Transfers out	394,748	448,058	394,748	-	394,748	$ (53,310)
Total Expenditures	701,774	796,548	703,167	-	703,167	(93,381)
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	$ -	1,790	$ -	1,790	$ 1,790
Fund Balance - beginning		-	43,336		43,336	-
Fund Balanced - ending			$ 45,126		$ 45,126	

See accompanying notes to budgetary comparison schedules.

CITY OF HELEN, GEORGIA
Notes to Required Supplementary Information
on Budgetary Accounting and Control
Year Ended June 30, 2012

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

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

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

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

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

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

Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Budget Requirements

There were no amendments to the original budget by the City Commission during the fiscal year ending June 30, 2012.

CITY OF HELEN, GEORGIA

Combining Fund Balance Sheet
Other Governmental Funds
June 30, 2012

	Special Revenue Funds				
	Grant Fund	Tree Fund	Confiscated Assets Fund	Police Technology Fund	Totals
Assets					
Cash and cash equivalents	$ 568	$ 35	$ 4,624	$ 3,386	$ 8,613
Total assets	$ 568	$ 35	$ 4,624	$ 3,386	$ 8,613
Liabilities					
Due to other funds	-	$ -	$ -	$ -	$ -
Total liabilities	-	-	-	-	-
Fund balances					
Restricted for:					
Law enforcement	-	-	4,624	3,386	8,010
Capital projects	568	-	-	-	568
Committed:					
Tree fund memorial	-	35	-	-	35
Total fund balances	568	35	4,624	3,386	8,613
Total liabilities and fund balances	$ 568	$ 35	$ 4,624	$ 3,386	$ 8,613

CITY OF HELEN, GEORGIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year ended June 30, 2012

	Special Revenue Funds				
	Grant Fund	Tree Fund	Confiscated Assets Fund	Police Technology Fund	Total
Revenues					
Donations	$ -	$ 200	$ -	$ -	$ 200
Fines and Forfeitures	-	-	-	8,275	8,275
Intergovernmental	40,793	-	-	-	40,793
Total revenues	40,793	200	-	8,275	49,268
Expenditures					
Current:					
Public safety	-	-	-	6,589	6,589
Streets and sanitation	-	204	-	-	204
Total expenditures	-	204	-	6,589	6,793
Excess of revenues (expenditures)	40,793	(4)	-	1,686	42,475
Other financing sources and (uses)					
Transfers in	185,673	-	912	-	186,585
Transfers out	(226,466)	-	-	-	(226,466)
Total other financing sources and uses	(40,793)	-	912	-	(39,881)
Net changes in fund balance	-	(4)	912	1,686	2,594
Beginning fund balance	568	39	3,712	1,700	6,019
Ending fund balance	$ 568	$ 35	$ 4,624	$ 3,386	$ 8,613

Walker and Associates
Certified Public Accountants

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

To the Mayor and City Commission
City of Helen
Helen, Georgia

We have audited the financial statements of the governmental funds, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Helen, Georgia as of and for the year ended June 30, 2012, and have issued our report thereon dated December 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. There can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, item 2012-1, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Helen, 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 item 2012-2 thru 2012-3.

The City of Helen, Georgia's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Helen, Georgia's responses and, accordingly, we express no opinion on them.

We noted certain other matters that we reported to management of City of Helen, Georgia in a separate letter dated December 26, 2012.

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

Walker & Associates

Walker & Associates
Certified Public Accountants
December 26, 2012

THE CITY OF HELEN, GEORGIA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Helen, Georgia.

2. Significant deficiencies relating to the audit of the financial statements are reported in this schedule under the caption "Findings-Financial Statement Audit". Finding 2012-1 is considered a material weakness.

3. Instances of noncompliance material to the financial statements of the City of Helen were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs were reported.

5. The auditor's report on compliance for the Capitalization Grants for Clean Water Revolving Loan Program expresses an unqualified opinion.

6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

7. The program tested as a major program was: Capitalization Grants for Clean Water Revolving Loan Program CFDA # 66.458.

8. The threshold used for distinguishing between Type A and B programs was $300,000.

9. The City of Helen, Georgia did not qualify as a low-risk auditee.

Findings-Financial Statement Audit

Internal Control

2012-1

Condition: The City does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.

Criteria: The City should possess the ability to prepare its own financial statements or have access to someone with adequate technical training and education to review the financial statements prepared by others.

Cause: The City staff does not have the accounting skills necessary to prepare financial statements in accordance with accounting principles generally accepted in the United States.

Effect: The City does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.

Recommendation: The City should consider employing someone or contracting with another entity to review the financial statements prepared by the auditor.

Response: The City agrees with the finding and will consider the recommendation.

THE CITY OF HELEN, GEORGIA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Compliance

2012-2

Condition: The City had expenditures in excess of appropriations in the General fund.

Criteria: Georgia code OCGA 36-81-3 requires limiting expenditures to the legally approved budget amounts.

Cause: The City did not amend its budget to authorize expenditures in excess of its original budget.

Effect: At June 30, 2012, the City was not in compliance with OCGA 36-81-3.

Recommendation: We recommend that the City comply with all relevant statutes concerning the operation of a local government in order to reduce the risk of litigation and other unforeseen actions.

Response: The City agrees with this finding and will amend its budget.

2012-3

Condition: The City was not in compliance with debt covenants on the Series 95 bond debt.

Criteria: The 1995 series bond covenants require the City of Helen to maintain adequate water and sewer rates to create an excess of income sufficient to pay debt service requirements.

Cause: The City did not increase water & sewer rates sufficient to be incompliance with their 1995 series bond covenants.

Effect: At June 30, 2012, the City was not in compliance with debt covenants on their 1995 series bonds.

Recommendation: We recommend that the City comply with all relevant debt covenant requirements which require the City to maintain adequate water & sewer rates that create an income.

Response: The City agrees with this finding and plans to increase water and sewer rates.

Walker and Associates
Certified Public Accountants

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

Independent Auditor's Report

To the Mayor and City Commission
City of Helen
Helen, Georgia

Compliance

We have audited City of Helen, 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 City of Helen, Georgia's major federal programs for the year ended June 30, 2012. The City of Helen, 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 Helen, Georgia's management. Our responsibility is to express an opinion on the City of Helen, 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 Helen, 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 Helen, Georgia's compliance with those requirements.

In our opinion, the City of Helen, 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 June 30, 2012.

Internal Control Over Compliance

Management of the City of Helen, 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 the City of Helen, 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 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 the City of Helen, 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.

The City of Helen, Georgia's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Helen, Georgia's responses and, accordingly, we express no opinion on the responses.

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

Walker & Associates

Walker & Associates
Certified Public Accountants
December 26, 2012

City of Helen, Georgia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Environmental Protection Agency			
Pass-through programs:			
Georgia Environmental Facilities Authority			
ARRA-Capitalization Grants for Clean Water Revolving Loan Fund	66.458	CWSRF 09-006	$ 436,008
Total pass through programs			436,008
Total U.S. Environmental Protection Agency			436,008
U.S. Department of Justice			
Direct Program			
COPS Hiring Recovery Program	16.710		54,595
Total direct programs			54,595
Total U.S. Department of Justice			54,595
Department of Energy			
Pass-through programs			
Georgia Environmental Facilities Authority			
ARRA-Energy Efficiency and Conservation Block Grant	81.128	EECBG-ARRA-GOV-2010-125	73,988
Total pass through programs			73,988
Total United States Department of Energy			73,988
Total expenditures of federal awards			$ 564,591

City of Helen, Georgia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Note 1-Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Helen, Georgia and is presented on the accrual basis of accounting. The information 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.

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 principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

CITY OF HELEN, GEORGIA
Schedule of Special Purpose Local Option Sales Tax
Estimated Cost and Expenditure Summary
For the Year Ended June 30, 2012

Project Description	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST					
Water, wastewater improvements	$2,500,000	$2,500,000	$2,209,406	$ -	$2,209,406
Roads, streets, bridges and parks	500,000	500,000	714,209	-	714,209
Totals for SPLOST 2004	3,000,000	3,000,000	2,923,615	-	2,923,615
SPLOST					
Roads, streets, Sidewalks & Bridges	1,280,000	1,280,000	48,994	10,325	59,319
Water/Wastewater Improvements	1,850,000	1,850,000	416,475	488,789	905,264
Public Buildings and Grounds	250,000	250,000	80,949	103,492	184,441
Totals for SPLOST 2009	3,380,000	3,380,000	546,418	602,606	1,149,024
Report Totals	$6,380,000	$6,380,000	$3,470,033	$ 602,606	$4,072,639

Note: The City Commission authorized the establishment of a separate capital projects fund to enhance reporting and record keeping. The original capital projects fund functioned as a multipurpose fund for Tax and non-tax projects while maintaing separate cash accounts for each. The new capital projects fund is simply named as the "Other Capital Projects Fund".

Current SPLOST Expenditures:	
Govermental Funds	$ 120,467
Enterprise Funds	482,139
Total SPLOST	602,606
Transfer to Other Capital Projects Fund	919,272
	$1,521,878