CITY OF IRWINTON, GEORGIA

FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council
City of Irwinton, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Irwinton, Georgia, as of and for the year ended September 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 Irwinton, 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 and each major fund of the City of Irwinton, Georgia, as of September 30, 2012, 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 24, 2013 on our consideration of the City of Irwinton, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City of Irwinton 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 25 through 27 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 Irwinton, 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. 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 24, 2013

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) fund

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 IRWINTON, GEORGIA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	$ 377,097	$ 64,703	$ 441,800
Restricted assets:			
Cash in bank	-	30,633	30,633
Accounts receivable, net	10,799	48,182	58,981
Receivable from other governments	15,190	-	15,190
Total current assets	403,086	143,518	546,604
Noncurrent assets:			
Nondepreciable	13,043	4,221	17,264
Depreciable capital assets, net of accumulated depreciation	290,918	1,252,352	1,543,270
Total assets	707,047	1,400,091	2,107,138
LIABILITIES:			
Current liabilities:			
Accounts payable	7,303	9,066	16,369
Other accrued liabilities	2,260	311	2,571
Current portion of notes payable	-	6,916	6,916
Current portion of deferred credit	-	6,500	6,500
Liabilities payable from restricted assets:			
Accrued interest payable	-	7,400	7,400
Current portion of bonds payable	-	25,000	25,000
Meter deposits held	-	42,857	42,857
Total current liabilities	9,563	98,050	107,613
Noncurrent liabilities:			
Notes payable, net of current portion	-	414,210	414,210
Bonds payable, less current portion	-	160,000	160,000
Deferred credit, less current portion	-	35,750	35,750
Total liabilities	9,563	708,010	717,573
NET ASSETS:			
Invested in capital assets, net of related debt	303,961	650,447	954,408
Restricted for:			
Cemetery care	3,260	-	3,260
Capital projects	343,397	-	343,397
Revenue bond retirement	-	56,120	56,120
Unrestricted	46,866	(14,486)	32,380
	$ 697,484	$ 692,081	$ 1,389,565

See accompanying notes to the basic financial statements

CITY OF IRWINTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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	$ 100,080	$ 3,486	$ -	$ 78,901	$ (17,693)	$ -	$ (17,693)
Public safety	84,346	11,488	-	-	(72,858)	-	(72,858)
Street department	85,828	23,766	-	-	(62,062)	-	(62,062)
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities	270,254	38,740	-	78,901	(152,613)	-	(152,613)
Business-type activities:							
Water and sewer	246,612	253,154	-	-	-	6,542	6,542
Total business-type activities	246,612	253,154	-	-	-	6,542	6,542
Total primary government	$ 516,866	$ 291,894	$ -	$ 78,901	(152,613)	6,542	(146,071)
General revenues:							
Taxes:							
Property taxes					41,577	-	41,577
General sales and use tax					47,479	-	47,479
Franchise tax					53,003	-	53,003
Insurance company premium tax					27,627	-	27,627
Other taxes					25,180	-	25,180
Grants and contributions					97,326	-	97,326
Amortization of deferred credit					-	6,500	6,500
Interest and dividend earnings					85	74	159
Miscellaneous					-	-	-
Transfers					(514,575)	514,575	-
Total general revenues and transfers					(222,298)	521,149	298,851
Change in net assets					(374,911)	527,691	152,780
Net assets, beginning					931,448	305,337	1,236,785
Prior period adjustment					140,947	(140,947)	-
Net assets, beginning, as restated					1,072,395	164,390	1,236,785
Net assets, ending					$ 697,484	$ 692,081	$ 1,389,565

See accompanying notes to the basic financial statements

CITY OF IRWINTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Capital Projects Fund	CDBG Fund	Cemetery Permanent Fund	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	$ 1,670	$ 336,870	$ -	$ 3,250	$ 341,790
Cash in local government investment pool	35,307	-	-	-	35,307
Accounts receivable, net	10,789	-	-	10	10,799
Receivable from other governments	8,663	6,527	-	-	15,190
Receivables from other funds	-	-	-	-	-
Total assets	$ 56,429	$ 343,397	$ -	$ 3,260	$ 403,086
LIABILITIES:					
Accounts payable	$ 7,303	$ -	$ -	$ -	$ 7,303
Other liabilities	2,260	-	-	-	2,260
Deferred revenue	6,624	-	-	-	6,624
Total liabilties	16,187	-	-	-	16,187
FUND BALANCES:					
Non-spendable fund balance:					
Cemetery care	-	-	-	3,260	3,260
Restricted fund balance:					
Capital projects	-	343,397	-	-	343,397
Committed fund balance	-	-	-	-	-
Assigned fund balance	-	-	-	-	-
Unassigned fund balance	40,242	-	-	-	40,242
Total fund balances	40,242	343,397	-	3,260	386,899
Total liabilities and fund balance	$ 56,429	$ 343,397	$ -	$ 3,260	

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 $256,069	303,961
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 $0	6,624
Net assets of governmental activities	$ 697,484

See accompanying notes to the basic financial statements

CITY OF IRWINTON, GEORGIA
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Capital Projects Fund	CDBG Fund	Cemetery Permanent Fund	Total Governmental Funds
REVENUES:					
Taxes	$ 191,873	$ -	$ -	$ -	$ 191,873
Licenses and permits	3,486	-	-	-	3,486
Intergovernmental	-	78,098	97,326	-	175,424
Fees and fines	11,488	-	-	-	11,488
Charges for services	23,766	-	-	-	23,766
Other	46	803	-	39	888
Total revenues	230,659	78,901	97,326	39	406,925
EXPENDITURES:					
Current operating:					
General government	97,241	8	-	-	97,249
Public safety	64,489	-	-	-	64,489
Street department	72,585	11,581	-	-	84,166
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlays	-	62,440	97,326	-	159,766
Total expenditures	234,315	74,029	97,326	-	405,670
Excess (deficiency) of revenues over expenditures	(3,656)	4,872	-	39	1,255
OTHER FINANCING SOURCES (USES):					
Loan proceeds	-	-	-	-	-
Transfers in (out)	6,803	-	-	(42)	6,761
Total other financing sources and uses	6,803	-	-	(42)	6,761
Net change in fund balance	3,147	4,872	-	(3)	8,016
FUND BALANCE, beginning of year	37,095	197,578	-	3,263	237,936
PRIOR PERIOD ADJUSTMENT	-	140,947	-	-	140,947
FUND BALANCE, beginning of year, as restated	37,095	338,525	-	3,263	378,883
FUND BALANCE, end of year	$ 40,242	$ 343,397	$ -	$ 3,260	$ 386,899

(Continued)

See accompanying notes to the basic financial statements

CITY OF IRWINTON, GEORGIA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balances - total governmental funds	$ 8,016
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	39,720
Depreciation	(24,350)
	15,370
The effect of various capital asset transactions, including sales and donations of assets	(401,290)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Receivables, net of deferred revenue	2,993
	$ (374,911)

See accompanying notes to the basic financial statements

CITY OF IRWINTON, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Water Fund
ASSETS	
CURRENT ASSETS:	
Cash in bank	$ 64,087
Cash in local government investment pool	616
Restricted assets:	
Cash in bank	30,633
Accounts receivable, net of allowance	24,746
Due from former employee	23,436
Total current assets	143,518
NONCURRENT ASSETS:	
Capital Assets:	
Land	4,221
Building	7,400
Equipment	172,258
Distribution system	2,188,102
	2,371,981
Less accumulated depreciation	(1,115,408)
Total capital assets	1,256,573
Total assets	1,400,091
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	9,066
Other accrued liabilities	311
Current portion of deferred credit	6,500
Current portion of notes payable	6,916
Meter deposits held	42,857
Liabilities payable from restricted assets:	
Accrued interest payable	7,400
Current portion of bonds payable	25,000
Total current liabilities	98,050
NONCURRENT LIABILITIES:	
Bonds payable, net of current portion	160,000
Notes payable, net of current portion	414,210
Deferred credit, less current portion	35,750
Total noncurrent liabilities	609,960
Total liabilities	708,010
NET ASSETS	
INVESTED IN CAPITAL ASSETS, net of related debt	650,447
RESTRICTED FOR:	
Revenue bond retirement	56,120
UNRESTRICTED	(14,486)
Total net assets	$ 692,081

See accompanying notes to the basic financial statements

CITY OF IRWINTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PRORIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Water Fund
OPERATING REVENUES:	
Charges for services	$ 253,154
Other revenue	-
Total operating revenue	253,154
OPERATING EXPENSES:	
Personal services and employee benefits:	
Salaries	45,547
Payroll taxes	3,484
Purchased/contracted services:	
Repairs and replacement	21,270
Professional fees	4,550
Testing	3,261
Insurance	12,124
Supplies:	
Chemicals and supplies	46,739
Office supplies	4,031
Utilities and communication	22,662
Depreciation	43,896
Miscellaneous	6,709
Total operating expenses	214,273
OPERATING INCOME	38,881
NON-OPERATING REVENUES (EXPENSES):	
Interest income	74
Interest expense	(25,358)
Amortization of deferred credit on bonds	6,500
Fiscal agent fees	(6,981)
Total non-operating revenues (expenses)	(25,765)
NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	13,116
CAPITAL CONTRIBUTIONS:	
Contribution from CDBG Fund	498,616
Contribution from Capital Projects Fund	22,720
NET INCOME (LOSS) BEFORE TRANSFERS	534,452
TRANSFERS FROM (TO) GENERAL FUND	(6,761)
NET INCOME (LOSS)	527,691
NET ASSETS, beginning of year	305,337
PRIOR PERIOD ADJUSTMENT	(140,947)
NET ASSETS, beginning of year, as restated	164,390
NET ASSETS, end of year	$ 692,081

See accompanying notes to the basic financial statements

CITY OF IRWINTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 244,497
Cash paid to suppliers for goods and services	(122,608)
Cash paid to employees	(48,015)
Net cash provided by (used for) operating activities	73,874
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer from (to) other funds	(6,761)
Net cash provided by (used for) noncapital financing activities	(6,761)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	-
Fiscal agent fees	(6,981)
Principal paid on capital debt	(31,762)
Interest paid on capital debt	(25,358)
Net cash provided by (used for) capital and related financing activities	(64,101)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	74
Net cash provided by (used for) investing activities	74
NET INCREASE (DECREASE) IN CASH	3,086
CASH AND CASH EQUIVALENTS, beginning of year	233,197
PRIOR PERIOD ADJUSTMENT	(140,947)
CASH AND CASH EQUIVALENTS, beginning of year, as restated	92,250
CASH AND CASH EQUIVALENTS, end of year	$ 95,336
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Net operating income (loss)	$ 38,881
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	43,896
Changes in assets and liabilities:	
Accounts receivable	969
Due from former employee	(9,626)
Accounts payable	(732)
Payroll tax liabilities	(1,016)
Meter deposits held	2,502
Accrued interest payable	(1,000)
Net cash provided by (used for) operating activities	$ 73,874
RECONCILIATION OF TOTAL CASH:	
Current assets - cash	$ 64,703
Restricted assets - cash	30,633
	$ 95,336

NONCASH CAPITAL FINANCING ACTIVITIES:

Fixed assets of $498,616 and $22,720 were contributed from the CDBG Fund and the Capital Projects Fund, respectively

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of City of Irwinton (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.

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 Cemetery Permanent Fund accounts for monies donated to the City, the earnings from which the City may use for certain cemetery maintenance, while the principal must remain intact.
>
> The Capital Projects Fund accounts for capital expenditures paid with the special purpose local option sales tax.
>
> The Community Development Block Grant ("CDBG") Fund accounts for a $498,610 water system upgrade. The grant was finalized in 2012.

The City reports the following major proprietary fund:

> The Water Fund is used to account for the provision of water 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

Materials purchased in the proprietary fund are expensed as purchased and are not inventoried at year end due to lack of materiality.

F. Restricted Assets

Restricted assets consist of cash on deposit with the paying agent required to be maintained pursuant to the ordinance on the revenue bonds outstanding.

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 $1,500 or more. 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 July 1, 2003, governmental funds' infrastructure assets were not capitalized. No infrastructure assets were completed during the year ended September 30, 2012. At September 30, 2012, there was no construction-in-progress 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

Accumulated leave of governmental funds that is expected to be liquidated with expendable available financial resources is reported as an expenditure in the fund financial statements. All accumulated leave, including that which is not expected to be liquidated with expendable available financial resources, is reported in the government-wide financial statements. Accumulated leave of Enterprise Funds is recorded as an expense and liability of the respective fund as the benefits accrue to employees. Liabilities for compensated absences are recorded as other liabilities and accrued expenses in the Enterprise Funds. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

The City does not allow accumulated vacation pay beyond one year; therefore there is no significant unrecorded balances at September 30, 2012.

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

The City has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This new standard changed the overall definitions and classifications of governmental fund balances.

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

Fund Balance

Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. 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 or 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.

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. Only the City Council may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed.

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

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balances are available, unless there are legal documents/contracts that prohibit the use of restricted fund balances, such as grant agreements that require a dollar match. Additionally, the City would then use committed, assigned and lastly unassigned amounts from the unrestricted fund balance when expending funds.

The City does not have a formal minimum fund balance policy; however, the City Council address various target reserve positions which are reviewed periodically.

Net Assets

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.

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.

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

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 Irwinton.

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. The budgets for the General Fund and Special Revenue 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, 2012:

General government	$ 2,331
Street department	7,885

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

Deposits

Custodial credit risk 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, 2012, none of the City's $436,510 was exposed to custodial credit risk.

The City had on deposit at September 30, 2012, $35,923 in the Georgia Fund 1, which is a combination local and state government investment pool. Georgia Fund 1 is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAm rated money market funds. The pool is not registered with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a Rule 2a-7 like pool. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and values participant's shares sold and redeemed based on $1.00 per share. Pooled cash and cash equivalents and investments are reported at cost which approximates fair value. The pool does not issue any legally binding guarantees to support the value of the shares. Particiapation in the pool is voluntary and deposits consist of funds from local governments; operating and trust funds of Georgia's state agencies, colleges and universities; and current operating funds fo the State of Georgia's General Fund. The Office of Treasury and Fiscal Services is the oversight agency for Georgia Fund I.

Investments in Georgia Fund 1 are directed toward short-term instruments such as U.S. treasury obligations, securities issued or guaranteed as to principal and interest by the U.S.

Government or any of its agencies or instrumentalities, banker's acceptances and repurchase agreements. The weighted average maturity of Georgia Fund 1 may not exceed 60 days.

Investing is performed in accordance with investment policies complying with State Statutes. According to State Statutes, funds may be invested in (1) obligations of this state or of other states, (2) obligations issued by the Unites States Government, (3) obligations fully insured or guaranteed by the United States Government or by a government agency of the United States, (4) obligations of any corporation of the United States Government, (5) prime bankers acceptances, (6) the Local government investment Pool established by the Georgia Code, (7) repurchase agreements, and (8) obligations of other political subdivisions of this state.

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. Appraised values are established by the Wilkinson County Tax Assessors at 40% of estimated fair market value. Taxes were levied when the mileage rate was set on or about October 14. Taxes are billed shortly after October 15 and are due December 10, after which date penalties and interest may be assessed. The Wilkinson County Tax Commissioner bills and collects the City's property taxes. 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, 2012, were 90.25% 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, 2012, accounts receivable consisted of the following:

	Governmental Activities	Business-type Activities	Total
General Fund:			
Property tax	$ 8,976	$ -	$ 8,976
Local option sales tax	8,663	-	8,663
Garbage fees receivable	1,813	-	1,813
Capital Projects Fund:			
Special local option sales tax	6,527	-	6,527
Cemetery Permanent Fund:			
Interest receivable	10	-	10
Water Fund:			
Water fees	-	27,246	27,246
Due from former employees	-	23,436	23,436
	25,989	50,682	76,671
Allowance for doubtful accounts	-	(2,500)	(2,500)
	$ 25,989	$ 48,182	$ 74,171

Subsequent to September 30, 2011, it was determined that two former employees had taken $13,810 of unauthorized funds during 2011 through the theft of cash water receipts. Prior to being terminated in April 2012, the employees embezzled an additional $9,626 by the same means. Through law enforcement agencies and attorneys, the City is attempting to recover this money and accordingly $23,436 is recorded as a receivable at September 30, 2012.

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	$ 4,920	$ -	$ -	$ 4,920
Construction-in-progress	409,414	112,846	(514,137)	8,123
Subtotal	414,334	112,846	(514,137)	13,043
Other capital assets:				
Buildings	98,131	-	-	98,131
Equipment	409,136	46,919	(7,199)	448,856
Subtotal	921,601	159,765	(521,336)	560,030
Accumulated depreciation:				
Buildings	40,628	2,838	-	43,466
Equipment	191,091	21,512	-	212,603
Subtotal	231,719	24,350	-	256,069
Net capital assets	$ 689,882	$ 135,415	$ (521,336)	$ 303,961

Governmental activities depreciation expense:

General government	$ 2,831
Public safety	19,857
Street department	1,662
	$ 24,350

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Not being depreciated:				
Land	$ 4,221	$ -	$ -	$ 4,221
Construction-in-progress	422,493	-	(422,493)	-
Subtotal	426,714	-	(422,493)	4,221
Other capital assets:				
Building	7,400	-	-	7,400
Equipment	165,058	7,199	-	172,257
Infrastructure	1,251,473	936,630	-	2,188,103
Subtotal	1,850,645	943,829	(422,493)	2,371,981
Accumulated depreciation:				
Building	3,247	112	-	3,359
Equipment	148,919	1,892	-	150,811
Infrastructure	919,346	41,892	-	961,238
Subtotal	1,071,512	43,896	-	1,115,408
Net capital assets	$ 779,133	$ 899,933	$ (422,493)	$ 1,256,573

7. LONG-TERM DEBT

Outstanding Debt:

At September 30, 2012, long-term debt consisted of the following:

	Governmental Activities	Enterprise Fund Debt
$429,000 water and sewerage note payable to USDA; interest at 2.25%; payable in monthly principal and interest installments of $1,360 to July 2051; used for water and sewer system improvements	$ -	$ 421,126
$450,000 of 1989 water revenue bonds for water system improvements are payable to Bank of New York; principal due each April 1 and interest due each April 1 and October 1 at 8%	-	185,000
Total long-term debt	$ -	$ 606,126

Following is a summary of changes in long-term debt for governmental and business-type activities for the year ended September 30, 2012:

	Balance October 1, 2011	Additions	Reductions	Balance September 30, 2012	Amount Due in One Year
Governmental activities:					
Notes payable	$ -	$ -	$ -	$ -	$ -
Business-type activities:					
Notes payable	$ 427,888	$ -	$ 6,762	$421,126	$ 6,916
Water revenue bonds	210,000	-	25,000	185,000	25,000
	$637,888	$ -	$ 31,762	$606,126	$31,916

Annual Requirements to Retire Debt Obligations:

The annual maturities for the years subsequent to September 30, 2012 are as follows:

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2013	$ -	$ -	$ 31,916	$ 24,204
2014	-	-	32,073	22,047
2015	-	-	32,234	19,886
2016	-	-	32,398	17,722
2017	-	-	32,566	15,554
2018 - 2021	-	-	100,490	48,310
2023 - 2076	-	-	45,309	36,291
2028 - 2032	-	-	50,697	30,903
2033 - 2037	-	-	56,728	24,872
2038 - 2042	-	-	63,476	18,124
2043 - 2047	-	-	71,027	10,572
2048 - 2051	-	-	57,212	2,435
	$ -	$ -	$ 606,126	$ 270,920

8. FUND DEFICITS

No fund had a deficit fund balance or deficit retained earnings at September 30, 2012.

9. INTERFUND TRANSACTIONS AND BALANCES

Transfers:

	Transfers From:	
Transfers To	Water Fund	Cemetery Permanent Fund
General Fund	$ 6,761	$ 42

Transfers are used to utilize unrestricted revenues collected in the General Fund to help finance operations accounted for in the Water Fund in accordance with budgetary authorizations. Transfers from the Cemetery Permanent Fund are used to offset a portion of the costs paid by the General Fund to maintain the cemetery.

Balances Due to/from other funds:

There were no balances due to/from other funds at September 30, 2012.

10. DEFERRED CREDIT

The City's water revenue bonds payable were refinanced during the year ended September 30, 1989, resulting in a gain of $195,000. This gain is being recognized as income over the 30 year life of the bonds, or $6,500 per year.

11. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from federal and state 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, 2012.

12. RETIREMENT PLAN

The City does not have a retirement or pension plan.

13. 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.

The City has obtained commercial insurance for risk of loss associated with torts, assets and natural disaster. The City has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceed the City's insurance coverage in any of the past three years.

The City has elected to self-insure for all losses related to errors or omissions, which includes, among other risks, risks for sexual harassment and discrimination. The City has not experienced any losses related to errors or omissions in the past three years.

The City is self-insured with regard to unemployment compensation claims. The City accounts for claims with expenditures and liability 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.

For its workers' compensation coverage, the City is a participant in the Georgia Municipal Association Self-Insurance Fund (the Fund), a public entity risk pool operated for the benefit of municipal government units located in Georgia. The City's General Fund pays an annual premium to the Fund for this coverage. The Fund provides excess insurance coverage for protection of members against excess losses and initial excess coverage is statutory specific and unlimited aggregate amounts. Government members of the Fund are jointly and severally liable for claims not covered by the Fund. No workers' compensation claims have been filed by the City in the past three years.

14. 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 Central Savannah River Area Regional Commission and is required to pay annual dues thereto. During its year ended September 30, 2012, the City paid $587 in such dues. Membership in a Regional Commission is required by the OCGA Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The Regional Commission 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 a Regional Commission. Separate financial statements may be obtained from:

Middle Georgia Regional Commission
175-C Emory Highway
Macon, Georgia 31201

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 24, 2013, the date the financial statements were available to be issued.

16. PRIOR PERIOD ADJUSTMENT

Beginning fund balance/net assets for the Capital Projects Fund and the Water Fund were restated as follows:

	Capital Projects Fund	Water Fund
Beginning Fund Balance/Net Assets, as originally reported	$ 197,578	$ 305,337
Reclass cash balance originally reported in the Water Fund	140,947	(140,947)
Beginning Fund Balance, as restated	$ 338,525	$ 164,390

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 IRWINTON, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes:				
Ad valorem	$ 40,000	$ 40,000	$ 38,584	$ (1,416)
Vehicle	8,500	8,500	8,123	(377)
Franchise tax	38,000	38,000	53,003	15,003
Alcoholic beverage excise	14,000	14,000	15,324	1,324
Local option sales tax	42,000	42,000	47,479	5,479
Insurance company premium	35,000	35,000	27,627	(7,373)
Intangible	480	480	127	(353)
Other	1,400	1,400	1,606	206
	179,380	179,380	191,873	12,493
Licenses and Permits:				
Business and alcoholic beverage licenses	5,700	5,700	3,486	(2,214)
	5,700	5,700	3,486	(2,214)
Intergovernmental				
Federal grant	-	-	-	-
	-	-	-	-
Charges for services:				
Garbage fees	19,000	19,000	23,766	4,766
Court fines	19,000	19,000	11,488	(7,512)
	38,000	38,000	35,254	(2,746)
Miscellaneous:				
Interest income	-	-	46	46
Other	2,000	2,000	-	(2,000)
	2,000	2,000	46	(1,954)
Total revenues	225,080	225,080	230,659	5,579

CITY OF IRWINTON, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES:				
Current Operating:				
General government	$ 94,910	$ 94,910	$ 97,241	$ (2,331)
Public safety	65,470	65,470	64,489	981
Street department	64,700	64,700	72,585	(7,885)
Total operating expenditures	225,080	225,080	234,315	(9,235)
Capital Outlays:				
General government	-	-	-	-
Public safety	-	-	-	-
Street department	-	-	-	-
Total capital expenditures	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total debt service	-	-	-	-
Total expenditures	225,080	225,080	234,315	(9,235)
Excess (deficiency) of revenues over expenditures	-	-	(3,656)	(3,656)
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	6,803	6,803
	-	-	6,803	6,803
Excess (deficiency) of revenues over expenditures and other financing sources	-	-	3,147	3,147
FUND BALANCE, beginning of year	37,095	37,095	37,095	-
FUND BALANCE, end of year	$ 37,095	$ 37,095	$ 40,242	$ 3,147

CITY OF IRWINTON, 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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenue	$ 97,326	$ 97,326	$ 97,326	$ -
Other	-	-	-	-
	97,326	97,326	97,326	-
EXPENDITURES:				
Current operating:				
Miscellaneous	-	-	-	-
Water system improvements	97,326	97,326	97,326	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	97,326	97,326	97,326	-
Excess revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
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:

- General Fund Schedule of Expenditures (Final Budget to Actual) Detailed by Department
- Budgetery Comparison Schedule - Cemetery Permanent Fund
- Schedule of Projects Constructed with Special Sales Tax Proceeds
- Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

CITY OF IRWINTON, GEORGIA

GENERAL FUND

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
OPERATING EXPENDITURES:				
General Government:				
Personal services and employee benefits				
Salaries	$ 35,300	$ 35,300	$ 29,399	$ 5,901
Payroll taxes	4,000	4,000	2,293	1,707
Purchased/contracted services:				
Professional fees	12,000	12,000	10,021	1,979
Insurance	13,800	13,800	17,117	(3,317)
Utilities and communication	8,000	8,000	10,222	(2,222)
Repairs and maintenance	3,600	3,600	4,058	(458)
Dues	1,200	1,200	1,943	(743)
Advertising	150	150	511	(361)
Supplies:				
Office supplies	1,650	1,650	5,197	(3,547)
Other costs:				
Travel and training	5,600	5,600	11,122	(5,522)
Election	-	-	-	-
Library contribution	3,000	3,000	3,000	-
Miscellaneous	6,610	6,610	2,358	4,252
Total General Government	$ 94,910	$ 94,910	$ 97,241	$ (2,331)
Public safety:				
Police:				
Personal services and employee benefits:				
Salaries	$ 42,000	$ 42,000	$ 44,526	$ (2,526)
Payroll taxes	8,000	8,000	3,518	4,482
Purchased/contracted services:				
Uniforms	-	-		-
Boarding prisoners	100	100	-	100
Training	800	800	2,896	(2,096)
Dues	50	50	-	50
Vehicle costs	4,500	4,500	6,455	(1,955)
Repairs and maintenance	400	400	-	400
Communications	1,000	1,000	1,253	(253)
Supplies	320	320	415	(95)
Other costs:				
Peace officers' retirement and other fees	2,000	2,000	3,829	(1,829)
Miscellaneous	300	300	335	(35)
Total police	59,470	59,470	63,227	(3,757)

CITY OF IRWINTON, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Fire:				
Supplies	$ 1,000	$ 1,000	$ 1,262	$ (262)
Repairs and maintenance	4,500	4,500	-	4,500
Miscellaneous	500	500	-	500
	6,000	6,000	1,262	4,738
Total Public Safety	$ 65,470	$ 65,470	$ 64,489	$ 981
Streets and Sanitation:				
Personal services and employee benefits:				
Salaries	$ 28,000	$ 28,000	$ 20,232	$ 7,768
Payroll taxes	6,000	6,000	1,424	4,576
Purchased/contracted services:				
Utilities	10,500	10,500	28,749	(18,249)
Repairs and maintenance	4,000	4,000	785	3,215
Garbage contract	13,000	13,000	16,454	(3,454)
Paving and street repairs	-	-	-	-
Materials and supplies	3,200	3,200	4,941	(1,741)
Other costs	-	-	-	-
Total Streets and Sanitation	$ 64,700	$ 64,700	$ 72,585	$ (7,885)

CITY OF IRWINTON, GEORGIA
CEMETERY PERMANENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Interest income	$ 100	$ 100	$ 39	$ (61)
Other	-	-	-	-
	100	100	39	(61)
EXPENDITURES:				
Other	-	-	-	-
Total expenditures	-	-	-	-
Excess revenues over (under) expenditures	100	100	39	(61)
OTHER FINANCING SOURCES (USES)				
Transfers to General Fund	(100)	(100)	(42)	58
Excess revenues and other financing sources (uses) over (under) expenditures	-	-	(3)	(3)
FUND BALANCE, beginning of year	3,263	3,263	3,263	-
FUND BALANCE, end of year	$ 3,263	$ 3,263	$ 3,260	$ (3)

CITY OF IRWINTON, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL SALES TAX PROCEEDS
For the Year Ended September 30, 2012

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
Street improvements related to water system repairs	$ 5,248	$100,000	$ 62,844	$ 15,521	$ 78,365	78.37%
Street repairs	28,751	150,000	72,081	11,581	83,662	55.78%
Street department equipment	-	25,000	10,316	-	10,316	41.26%
Police department equipment	-	100,000	19,980	36,738	56,718	56.72%
Water well	-	93,315	93,315	-	93,315	100.00%
Water Fund equipment	-	50,000	-	7,199	7,199	14.40%
General government equipment	-	40,000	-	2,982	2,982	7.46%

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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 Irwinton, Georgia

We have audited the financial statements of the governmental activities, business-type activities and each major fund of the City of Irwinton, Georgia as of and for the year ended September 30, 2012, which collectively comprise the City of Irwinton, Georgia's basic financial statements and have issued our report thereon dated January 24, 2013. 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 Irwinton, 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 Irwinton, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Irwinton, Georgia's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 responses that we consider to be significant deficiencies in internal control over financial reporting noted as items 12-1 to 12-3. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Irwinton, 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 12-4.

The City of Irwinton, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Irwinton, 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, 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 24, 2013

CITY OF IRWINTON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2012

SIGNIFICANT DEFICIENCIES

12-1 Segregation of Duties

Condition

Due to the small size of the City's staff, controls are not practical to provide adequate segregation of duties in the cash receipts and disbursements functions.

Effect

Because of the failure to separate control over cash, errors or fraud that might avoid detection are possible.

Recommendation

The City Council should implement other internal controls in areas where segregation of duties is not practical.

Views of Responsible Officials

We concur and will continue to require dual signatures on checks and council approval for non recurring expenditures.

12-2 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.

12-3 Employee Theft

Sufficient controls were not in place to prevent two employees from embezzeling $13,810 of cash water receipts in 2011 and embezzeling an additional $9,626 in 2012 prior to their termination in April 2012.

Cause

The Mayor and council failed to review bank statements and deposit slips, cancelled checks and supporting disbursement documentation to the extent necessary to prevent such theft.

Recommendation

We recommend that management implement a policy of reviewing bank statements on a monthly basis, as well as periodical reviews of deposit slips, payroll records and supporting disbursement documentation.

Views of Responsible Officials

We concur with the recommendations and plan to implement the auditors' suggestions.

COMPLIANCE AND OTHER MATTERS

12-4 Budgetary

Condition

In the City's General Fund, actual expenditures exceeded budget appropriations in two 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.