TOWN OF IVEY, GEORGIA

FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council
Town of Ivey, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Ivey, Georgia, as of and for the year ended September 30, 2012 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Ivey, 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 Town of Ivey, 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 25, 2013 on our consideration of Town of Ivey, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Town of Ivey 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 Town of Ivey, 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 25, 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) funds

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

TOWN OF IVEY, GEORGIA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	$ 222,075	$ 31,195	$ 253,270
Restricted assets:			
Cash in bank	-	10,290	10,290
Accounts receivable, net	19,343	24,177	43,520
Receivable from other governments	44,002	-	44,002
Internal balances	3,300	(3,300)	-
Total current assets	288,720	62,362	351,082
Noncurrent assets:			
Nondepreciable	41,093	10,147	51,240
Depreciable capital assets, net of accumulated depreciation	84,880	4,222,201	4,307,081
Total assets	414,693	4,294,710	4,709,403
LIABILITIES:			
Current liabilities:			
Accounts payable	7,503	10,379	17,882
Current portion of long-term debt	14,419	6,744	21,163
Liabilities payable from restricted assets:			
Accrued interest payable	-	2,288	2,288
Current portion of bonds payable	-	44,567	44,567
Meter deposits held	-	44,912	44,912
Other accrued liabilities	2,981	1,140	4,121
Total current liabilities	24,903	110,030	134,933
Noncurrent liabilities:			
Notes and revenue bonds payable, less current portion	40,557	2,481,437	2,521,994
Total liabilities	65,460	2,591,467	2,656,927
NET ASSETS:			
Invested in capital assets, net of related debt	70,997	1,699,600	1,770,597
Restricted for:			
Revenue bond retirement	-	162,380	162,380
Public safety	10	-	10
Capital projects	162,480	-	162,480
Unrestricted	115,746	(158,737)	(42,991)
	$ 349,233	$ 1,703,243	$ 2,052,476

See accompanying notes to the basic financial statements

TOWN OF IVEY, 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	$ 101,175	$ 3,495	$ -	$ 161,449	$ 63,769	$ -	$ 63,769
Public safety	222,206	23,207	-	-	(198,999)	-	(198,999)
Street department	107,191	37,662	-	-	(69,529)	-	(69,529)
Interest on long-term debt	343	-	-	-	(343)	-	(343)
Total governmental activities	430,915	64,364	-	161,449	(205,102)	-	(205,102)
Business-type activities:							
Water and sewer	464,990	257,625	-	-	-	(207,365)	(207,365)
Total business-type activities	464,990	257,625	-	-	-	(207,365)	(207,365)
Total primary government	$ 895,905	$ 321,989	$ -	$ 161,449	(205,102)	(207,365)	(412,467)
General revenues:							
Taxes:							
Property taxes					55,730	-	55,730
General sales and use tax					118,041	-	118,041
Franchise tax					46,834	-	46,834
Insurance company premium tax					46,013	-	46,013
Other taxes					30,424	-	30,424
Interest and dividend earnings					72	42	114
Miscellaneous					657	-	657
Transfers					(89,256)	89,256	-
Total general revenues and transfers					208,515	89,298	297,813
Change in net assets					3,413	(118,067)	(114,654)
Net assets, beginning					345,820	1,821,310	2,167,130
Net assets, ending					$ 349,233	$ 1,703,243	$ 2,052,476

See accompanying notes to the basic financial statements

TOWN OF IVEY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Capital Projects Fund	Police Narcotics Division Fund	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 95,086	$ 126,979	$ 10	$ 222,075
Accounts receivable, net	19,343	-	-	19,343
Receivable from other governments	21,014	22,988	-	44,002
Receivables from other funds	3,300	12,513	-	15,813
Total assets	$ 138,743	$ 162,480	$ 10	$ 301,233
LIABILITIES:				
Accounts payable	$ 7,503	$ -	$ -	$ 7,503
Other liabilities	2,981	-	-	2,981
Payable to other funds	12,513	-	-	12,513
Deferred revenue	2,525	-	-	2,525
Total liabilties	25,522	-	-	25,522
FUND BALANCES:				
Non-spendable fund balance	-		-	-
Restricted fund balance:				
Capital projects	-	162,480	-	162,480
Public safety	-		10	10
Committed fund balance	-	-	-	-
Assigned fund balance	-	-	-	-
Unassigned fund balance	113,221	-	-	113,221
Total fund balances	113,221	162,480	10	275,711
Total liabilities and fund balance	$ 138,743	$ 162,480	$ 10	

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 $220,921	125,973
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	2,525
Long-term notes payable are not due and payable in the current period and therefore are not reported in the funds	(54,976)
Net assets of governmental activities	$ 349,233

See accompanying notes to the basic financial statements

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

	General Fund	Capital Projects Fund	Police Narcotics Division Fund	Total Governmental Funds
REVENUES:				
Taxes	$ 302,666	$ -	$ -	$ 302,666
Licenses and permits	3,495	-	-	3,495
Intergovernmental	-	161,267	-	161,267
Fees and fines	23,207	-		23,207
Charges for services	37,662	-	-	37,662
Other	72	182	657	911
Total revenues	367,102	161,449	657	529,208
EXPENDITURES:				
Current operating:				
General government	96,047	-	-	96,047
Street department	104,900	1,035	-	105,935
Public safety	210,655	-	647	211,302
Debt service:				
Principal	7,848	-	-	7,848
Interest and other charges	343	-	-	343
Capital outlays	-	166,579	-	166,579
Total expenditures	419,793	167,614	647	588,054
Excess (deficiency) of revenues over expenditures	(52,691)	(6,165)	10	(58,846)
OTHER FINANCING SOURCES (USES):				
Loan proceeds	50,000	-	-	50,000
Transfers in (out)	57,619	-	-	57,619
Total other financing sources and uses	107,619	-	-	107,619
Net change in fund balance	54,928	(6,165)	10	48,773
FUND BALANCE, beginning of year	58,293	168,645	-	226,938
FUND BALANCE, end of year	$ 113,221	$ 162,480	$ 10	$ 275,711

(Continued)

See accompanying notes to the basic financial statements

TOWN OF IVEY, 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	$ 48,773
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	19,705
Depreciation	(17,289)
	2,416
The effect of various capital asset transactions, including sales and donations of assets	-
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	(5,624)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets:	
Issuance of long-term debt	(50,000)
Repayment of long-term debt	7,848
	(42,152)
	$ 3,413

See accompanying notes to the basic financial statements

TOWN OF IVEY, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Water and Sewer Fund
ASSETS	
CURRENT ASSETS:	
Cash in bank	$ 31,195
Restricted assets:	
Cash in bank	10,290
Accounts receivable, net of allowance	24,177
Total current assets	65,662
NONCURRENT ASSETS:	
Capital Assets:	
Land	10,147
Building	23,696
Distribution system	5,707,309
Equipment	129,011
	5,870,163
Less accumulated depreciation	(1,637,815)
Total capital assets	4,232,348
Total assets	4,298,010
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	10,379
Other liabilities	1,140
Current portion on long-term debt	6,744
Due to Capital Projects Fund	3,300
Meter deposits held	44,912
Liabilities payable from restricted assets:	
Accrued interest payable	2,288
Current portion of bonds payable	44,567
Total current liabilities	113,330
NONCURRENT LIABILITIES:	
Note payable, net of current portion	19,067
Water revenue bonds, net of current portion	2,462,370
Total noncurrent liabilities	2,481,437
Total liabilities	2,594,767
NET ASSETS	
INVESTED IN CAPITAL ASSETS, net of related debt	1,699,600
RESTRICTED FOR:	
Revenue bond retirement	162,380
UNRESTRICTED	(158,737)
Total net assets	$ 1,703,243

See accompanying notes to the basic financial statements

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

	Water and Sewer Fund
OPERATING REVENUES:	
Charges for services	$ 257,625
Other revenue	-
Total operating revenue	257,625
OPERATING EXPENSES:	
Personal services and employee benefits:	
Salaries	72,251
Payroll taxes	5,939
Purchased/contracted services:	
Repairs and replacement	26,286
Testing	4,890
Sewerage treatment	21,188
Insurance	9,508
Training	1,811
Supplies:	
Chemicals and supplies	18,265
Office supplies	2,357
Utilities and communication	32,247
Depreciation	151,826
Miscellaneous	249
Total operating expenses	346,817
OPERATING INCOME (LOSS)	(89,192)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	42
Interest expense	(118,173)
Total non-operating revenues (expenses)	(118,131)
NET LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(207,323)
CAPITAL CONTRIBUTIONS:	
Contribution from Capital Projects Fund	146,875
NET INCOME (LOSS) BEFORE TRANSFERS	(60,448)
TRANSFERS FROM (TO) GENERAL FUND	(57,619)
NET INCOME (LOSS)	(118,067)
NET ASSETS, beginning of year	1,821,310
NET ASSETS, end of year	$ 1,703,243

See accompanying notes to the basic financial statements

TOWN OF IVEY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 259,055
Cash paid to suppliers for goods and services	(114,189)
Cash paid to employees	(77,050)
Other receipts (payments)	-
Net cash provided by (used for) operating activities	67,816
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer from (to) other funds	(57,619)
Net cash provided by (used for) noncapital financing activities	(57,619)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(28,000)
Principal paid on capital debt	(6,516)
Interest paid on capital debt	-
Proceeds from notes payable	28,000
Net cash provided by (used for) capital and related financing activities	(6,516)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	42
Net cash provided by (used for) investing activities	42
NET INCREASE (DECREASE) IN CASH	3,723
CASH AND CASH EQUIVALENTS, beginning of year	37,762
CASH AND CASH EQUIVALENTS, end of year	$ 41,485
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Net operating income (loss)	$ (89,192)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	151,826
Changes in assets and liabilities:	
Accounts receivable	1,430
Accounts payable	5,186
Other liabilities	1,140
Accrued interest on long-term debt	(225)
Meter deposits held	(2,349)
Net cash provided by (used for) operating activities	$ 67,816
RECONCILIATION OF TOTAL CASH:	
Current assets - cash	$ 31,195
Restricted assets - cash	10,290
	$ 41,485

NONCASH CAPITAL FINANCING ACTIVITIES:

Note payments of $146,875 were made through contributions from the Capital Projects Fund.

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the Town of Ivey (the "Town") 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 Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town'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 Town.

Currently, the Town 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 activities) report information on all of the nonfiduciary activities of the Town (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 Town 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 Town 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 Town reports the following major governmental funds:

> The General Fund is the Town'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 Police Narcotics Division Fund accounts for expenditures of funds received from drug related court cases.
>
> The Capital Projects Fund accounts for capital expenditures paid with the special purpose local option sales tax.

The Town reports the following major proprietary fund:

> The Water and Sewer Fund is used to account for the provision of water and sewer services to businesses and residents of the Town. 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 Town 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 Town 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 Town 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 Town'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. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

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 Town.

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 consists of cash in savings accounts required to be maintained pursuant to the bond ordinance on the 1980 and 2001 water revenue bonds.

G. Prepaid Items

Prepaid balances, if any, are for payments made by the Town 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 Town as assets with an estimated useful life in excess of two years and with 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 Town does not allow accumulated vacation pay beyond one year; therefore there are 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 charge 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 Town 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 Town 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 Town 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 Town Council through the adoption of a resolution. Only the Town Council may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the Town'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 Town reports positive unassigned fund balance only in the General Fund. Negative unassigned balances may be reported in all funds.

The Town 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 Town would then use committed, assigned and lastly unassigned amounts from the unrestricted fund balance when expending funds.

The Town does not have a formal minimum fund balance policy; however, the Town 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 Town follows these procedures in establishing the budgetary data reflected in the financial statements.

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

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 Town of Ivey.

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 Fund 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:

Public safety	$ 40,655
Debt service - principal	7,848
Debt service - interest	343

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 Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of September 30, 2012, none of the Town's $224,433 was exposed to custodial credit risk.

The Town had on deposit at September 30, 2012, $39,127 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. Participation 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 of the State of Georgia's General Fund.

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. The Office of Treasury and Fiscal Services is the oversight agency for Georgia Fund I.

Investments

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 agencyof 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.

The Town's investments are categorized as either (1) insured or registered or for which securities are held by the Town or its agent in the Town's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the Town's name, or (3) uninsured and unregistered for which the Securities are held by the counterparty, or by its trust department or agent but not in the Town's name.

4. PROPERTY TAXES

The value of all real and business personal property located in the Town is assessed (appraised) as of each January 1. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the Town Council. Appraised values are established by Wilkinson County Tax Assessors at 40% of estimated fair market value. Taxes were levied when the milleage rate was set on or about October 8. Taxes are billed shortly after October 15 and are due December 10, after which date penalties and interest may be assessed. Property on which taxes are not paid within 60 days of mailing may then be levied on by the Town. Property taxes are billed and collected by the Wilkinson County Tax Commissioners. Current tax collections for the years ended September 30, 2012, were 86.5% 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	$ 12,187	$ -	$ 12,187
Local option sales tax	21,014	-	21,014
Garbage fees receivable	3,528	-	3,528
Miscellaneous taxes	3,627	-	3,627
Water and Sewer Fund:			
Water and sewer fees	-	24,883	24,883
	40,356	24,883	65,239
Allowance for doubtful accounts	-	(706)	(706)
	$ 40,356	$ 24,177	$ 64,533

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	$ 30,105	$ -	$ -	$ 30,105
Construction-in-progress	10,988	-	-	10,988
Subtotal	41,093	-	-	41,093
Other capital assets:				
Buildings	61,654		-	61,654
Equipment	224,442	19,705	-	244,147
Subtotal	327,189	19,705	-	346,894
Accumulated depreciation:				
Buildings	26,759	2,771	-	29,530
Equipment	176,873	14,518	-	191,391
Subtotal	203,632	17,289	-	220,921
Net capital assets	$ 123,557	$ 2,416	$ -	$ 125,973

Governmental activities depreciation expense:

General government	$ 5,129
Public safety	1,256
Street department	10,904
	$ 17,289

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Not being depreciated:				
Land	$ 10,147	$ -	$ -	$ 10,147
Construction-in-progress	114,877	-	(114,877)	-
Subtotal	125,024	-	(114,877)	10,147
Other capital assets:				
Building	23,696			23,696
Equipment	101,011	28,000	-	129,011
Infrastructure	5,592,432	114,877	-	5,707,309
Subtotal	5,842,163	142,877	(114,877)	5,870,163
Accumulated depreciation:				
Building	15,587	1,031		16,618
Equipment	84,469	5,799	-	90,268
Infrastructure	1,385,933	144,996	-	1,530,929
Subtotal	1,485,989	151,826	-	1,637,815
Net capital assets	$ 4,356,174	$ (8,949)	$ (114,877)	$ 4,232,348

7. LONG-TERM DEBT

Outstanding Debt:

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

	Governmental Activities	Enterprise Fund Debt
$28,253 note payable to BB&T for a police car; interest at 3.43%, due in monthly principal and interest payments of $630 to June 2013	$ 4,976	$ -
$50,000 note payable to Morris Bank for city hall renovation; interest at 2.95%, due in monthly principal and interest payments of $899 to September 2017	50,000	-
$28,000 note payable to BB&T for a backhoe; interest at 3.41%, due in monthly principal and interest payments of $625 to April 2016	-	25,811
$166,000 of 1980 water revenue bonds for water system improvements, due in annual principal installments of $4,000 to $9,000 through January 1, 2020, interest at 5%	-	61,000
$2,705,060 of 2001 water revenue bonds for sewer system construction, interest at 4.75%, due in monthly principal and interest installments of $12,715 to September 2042	-	2,445,937
Total long-term debt	$ 54,976	$2,532,748

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:					
Note payable	$ 12,825	$ 50,000	$ 7,849	$ 54,976	$ 14,419
Business-type activities:					
Note payable	$ 1,902	$ 28,000	$ 4,091	$ 25,811	$ 6,744
Water and sewer revenue bonds	2,538,064	-	31,127	2,506,937	44,567
	$2,539,966	$ 28,000	$ 35,218	$2,532,748	$ 51,311

Annual Requirements to Retire Debt Obligations of Business-Type Activities:
The annual maturities for the years subsequent to September 30, 2012 are as follows:

Year Ending September 30	Notes Payable		Water and Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest
2013	$ 6,744	$ 754	$ 44,567	$ 117,813
2014	6,977	521	46,393	115,637
2015	7,218	280	48,307	113,373
2016	4,872	56	51,314	110,966
2017	-	-	53,418	108,462
2018 - 2022	-	-	286,419	501,832
2023 - 2027	-	-	332,678	430,222
2028 - 2032	-	-	421,747	341,153
2033 - 2037	-	-	534,661	228,239
2038 - 2042	-	-	687,433	85,090
	$ 25,811	$ 1,611	$2,506,937	$2,152,787

Annual Requirements to Retire Debt Obligations of Governmental Activities:
The annual maturities for the years subsequent to September 30, 2012 are as follows:

Year Ending September 30	Notes Payable	
	Principal	Interest
2013	$ 14,419	$ 1,386
2014	9,725	1,066
2015	10,016	774
2016	10,316	475
2017	10,500	167
	$ 54,976	$ 3,868

8. FUND DEFICITS

Deficit fund balances or retained earnings balances of individual funds. Net Assets - unrestricted in the Water Fund reflected a deficit balance of $158,737 at September 30, 2012. The Town is examining its revenues and expenses and implementing certain cost cutting measures as well as examining some possible rate increases. The Town anticipates that these changes will provide a positive fund balance in the future.

9. INTERFUND TRANSACTIONS AND BALANCES

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Capital Projects Fund	General Fund	$ 12,513
General Fund	Water and Sewer Fund	3,300
		$ 15,813

The amount due from the General Fund to the Capital Projects Fund is for sales tax revenues inadvertently deposited into the General Fund instead of the Capital Projects Fund. A portion of this balance due was transferred in 2012, and the remainder will be transferred to the Capital Projects Fund in fiscal year 2013. The other outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers:

	Transfers From:
TransfersTo	Water Fund
General Fund	$ 57,619

Transfers are used to utilize unrestricted revenues collected in the Water Fund to help finance operations accounted for in the General Fund in accordance with budgetary authorizations.

10. 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 Town expects such amounts, if any, to be immaterial.

Litigation

According to the Town's attorney, there are no contigent liabilities or other litigation in progress for which the Town may be liable as of September 30, 2012.

11. RETIREMENT PLAN

The Town does not have a retirement or pension plan.

12. RISK MANAGEMENT

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

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

Risk Pool

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

Self Insurance

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

13. JOINT VENTURE

Under Georgia law, the Town in conjunction with other cities and counties in the fourteen Town 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 Town paid $1,100 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 Regional Commission in Georgia. The Regional Commission Board membership includes the chief elected official of each Town 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

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 25, 2013, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedules - General Fund and the Police Narcotics Division Fund

TOWN OF IVEY, 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	$ 72,000	$ 72,000	$ 61,354	$ (10,646)
Vehicle	10,000	10,000	9,102	(898)
Franchise tax	37,000	37,000	46,834	9,834
Alcoholic beverage excise	17,000	17,000	19,977	2,977
Local option sales tax	120,000	120,000	118,041	(1,959)
Insurance company premium	67,000	67,000	46,013	(20,987)
Intangible	1,000	1,000	352	(648)
Other	2,550	2,550	993	(1,557)
	326,550	326,550	302,666	(23,884)
Licenses and Permits:				
Building permits	1,200	1,200	175	(1,025)
Business and alcoholic beverage licenses	12,000	12,000	3,320	(8,680)
	13,200	13,200	3,495	(9,705)
Intergovernmental:				
State of Georgia grant	-	-	-	-
Criminal Justice Safety Grant	-	-	-	-
	-	-	-	-
Charges for services:				
Garbage fees	36,000	36,000	37,662	1,662
Court fines	23,000	23,000	23,207	207
	59,000	59,000	60,869	1,869
Miscellaneous:				
Interest income	100	100	72	(28)
Other	400	400	-	(400)
	500	500	72	(428)
Total revenues	399,250	399,250	367,102	(32,148)

TOWN OF IVEY, 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	$ 215,850	$ 215,850	$ 96,047	$ 119,803
Public safety	170,000	170,000	210,655	(40,655)
Street department	123,215	123,215	104,900	18,315
Total operating expenditures	509,065	509,065	411,602	97,463
Capital Outlays:				
General government	-	-	-	-
Public safety	-	-	-	-
Street department	-	-	-	-
Total capital expenditures	-	-	-	-
Debt Service:				
Principal	-	-	7,848	(7,848)
Interest	-	-	343	(343)
Total debt service	-	-	8,191	(8,191)
Total expenditures	509,065	509,065	419,793	89,272
Excess (deficiency) of revenues over expenditures	(109,815)	(109,815)	(52,691)	57,124
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	50,000	50,000
Transfers in (out)	109,815	109,815	57,619	(52,196)
	109,815	109,815	107,619	(2,196)
Excess (deficiency) of revenues over expenditures and other financing sources	-	-	54,928	54,928
FUND BALANCE, beginning of year	58,293	58,293	58,293	-
FUND BALANCE, end of year	$ 58,293	$ 58,293	$ 113,221	$ 54,928

TOWN OF IVEY, GEORGIA
POLICE NARCOTIC DIVISION 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:				
Fines and forfeits	$ 2,500	$ 2,500	$ -	$ (2,500)
Other	2,500	2,500	657	(1,843)
	5,000	5,000	657	(4,343)
EXPENDITURES:				
Current operating:				
Public safety	4,000	4,000	647	3,353
Capital outlays	1,000	1,000	-	1,000
Total expenditures	5,000	5,000	647	4,353
Excess revenues over (under) expenditures	-	-	10	10
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Excess revenues and other financing sources (uses) over (under) expenditures	-	-	10	10
FUND BALANCE, beginning of year	48	48	-	(48)
FUND BALANCE, end of year	$ 48	$ 48	$ 10	$ (38)

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

TOWN OF IVEY, 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	$ 70,800	$ 70,800	$ 35,605	$ 35,195
Payroll taxes	8,000	8,000	2,925	5,075
Health insurance	10,000	10,000	6,849	3,151
Purchased/contracted services:				
Accounting and legal	13,700	13,700	12,785	915
Insurance	40,200	40,200	3,979	36,221
Utilities and communication	14,300	14,300	12,517	1,783
Repairs and maintenance	33,000	33,000	2,488	30,512
Dues	3,000	3,000	2,422	578
Advertising	1,000	1,000	921	79
Supplies:				
Office supplies	10,000	10,000	7,483	2,517
Other costs:				
Travel and training	8,000	8,000	6,289	1,711
Election	1,000	1,000	-	1,000
Library contribution	2,400	2,400	1,600	800
Miscellaneous	450	450	184	266
Total General Government	$ 215,850	$ 215,850	$ 96,047	$ 119,803
Public safety:				
Police:				
Personal services and employee benefits:				
Salaries	$ 85,740	$ 85,740	$ 108,917	$ (23,177)
Payroll taxes	8,000	8,000	8,952	(952)
Health insurance	20,000	20,000	26,794	(6,794)
Purchased/contracted services:				
Insurance	4,000	4,000	10,550	(6,550)
Uniforms	950	950	2,989	(2,039)
Professional fees	17,100	17,100	1,500	15,600
Vehicle costs	13,500	13,500	20,692	(7,192)
Repairs and maintenance	800	800	3,766	(2,966)
Utilities and communication	3,900	3,900	5,527	(1,627)
Supplies	6,000	6,000	5,176	824
Other costs:				
Peace officers' retirement and other fees	4,960	4,960	12,346	(7,386)
Miscellaneous	4,800	4,800	3,446	1,354
Total police	169,750	169,750	210,655	(40,905)
Fire Department Contribution	250	250	-	250
Total Public Safety	$ 170,000	$ 170,000	$ 210,655	$ (40,655)

TOWN OF IVEY, 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
Streets and Sanitation:				
Personal services and employee benefits:				
Salaries	$ 43,315	$ 43,315	$ 52,048	$ (8,733)
Payroll taxes	8,000	8,000	4,277	3,723
Health insurance	-	-	8,428	(8,428)
Purchased/contracted services:				
Insurance	4,200	4,200	5,312	(1,112)
Utilities and communication	7,200	7,200	-	7,200
Repairs and maintenance	12,000	12,000	-	12,000
Garbage contract and landfill fees	30,000	30,000	30,000	-
Paving and street repairs	13,500	13,500	3,927	9,573
Materials and supplies	5,000	5,000	908	4,092
Other costs	-	-	-	-
Total Street Department	$ 123,215	$ 123,215	$ 104,900	$ 18,315

TOWN OF IVEY, 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 repairs/transportation improvements	$ 18,109	$ 200,000	$ 148,002	$ 1,035	$ 149,037	74.52%
Capital outlays - police	-	60,000	31,272	11,204	42,476	70.79%
Capital outlays - general government	-	75,000	30,130	-	30,130	40.17%
Capital outlays - street	-	75,000	-	8,500	8,500	11.33%
Water system improvements	-	650,000	213,768	146,875	360,643	55.48%

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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
Town of Ivey, Georgia

We have audited the financial statements of the governmental activities, the business type activities and each major fund of the Town of Ivey, Georgia as of and for the year ended September 30, 2012, which collectively comprise the Town of Ivey's basic financial statements and have issued our report thereon dated January 25, 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 Town of Ivey, 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 Town of Ivey, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Ivey'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

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certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting noted as items 12-1 and 12-2. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Ivey, 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 12-3.

We noted certain matter that we reported to management of the Town of Ivey, Georgia, in a separate letter dated January 25, 2013.

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

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

Wright & Wright, P. C.

January 25, 2013

TOWN OF IVEY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2012

12-1 Segregation of Duties

Condition

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties, so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

Cause

The Town has a full-time clerk who performs all financial duties, including receiving and depositing funds, writing checks and reconciling bank accounts. Items are approved for payment by Council and checks are signed by the Mayor.

Recommendation

We recommend that management continue to exercise alert supervision of employees in order to protect the assets of the Town.

Views of Responsible Officials

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

12-2 Controls Over Financial Statement Presentation

Condition

Town 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 Town's financial statements that would not be prevented or detected on a timely basis.

Recommendation

The Town 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 Budgetary

Condition

In the Town's General Fund, actual expenditures exceeded budget appropriations in the public safety department and in general government – capital outlays. This is a violation of state law.

Effect

Fiscal control and accountability over departmental expenditures may be jeopardized.

Recommendation

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

Views of Responsible Officials

The Town Council will analyze budgetary financial data periodically and amend the budget when appropriate.

TOWN OF IVEY

148 Hwy 243
Ivey, GA 31031

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

Gentlemen:

The following constitutes our corrective action plan regarding the findings and recommendations in our audit report for the year ended September 30, 2012.

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

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

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

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

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

3. The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended September 30, 2011:

Public safety	$ 40,655
Debt service – principal	7,848
Debt service – interest	343

   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.

4. The $12,513 due to the Capital Projects Fund from the General Fund is in violation of state law. This balance will be repaid in fiscal year 2013. In the future, we plan to internally specify SPLOST funds for certain projects in order to maintain proper segregation between SPLOST referendums.

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

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

Sincerely,

Mayor
Town of Ivey