CITY OF JEFFERSONVILLE, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

CITY OF JEFFERSONVILLE, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2011

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CITY OF JEFFERSONVILLE, GEORGIA

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council
City of Jeffersonville, Georgia

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the City of Jeffersonville, Georgia as of and for the year ended December 31, 2011, 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 Jeffersonville, Georgia's management.

Except as described in the following paragraph, 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.

The internal control procedures of the City of Jeffersonville, Georgia are deficient in regards to financial reporting and cannot be relied upon. Furthermore, the City was unable to provide adequate documentation to support reported revenues and expenditures and therefore, we were unable to apply the auditing procedures necessary to form a conclusion about whether the financial statements are fairly presented in conformity with accounting principles generally accepted in the United States. In addition, changes in management personnel precluded us from making the appropriate inquiries and receiving management's representations of these matters.

Because of the limitations described in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the governmental activities, business-type activities, the General Fund, the Water & Sewer Fund, the discretely presented component unit and the remaining fund information of the City of Jeffersonville, Georgia as of and for the year ended December 31, 2011.

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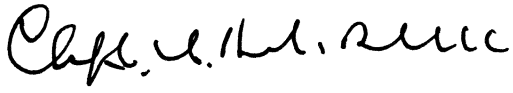
In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012, on our consideration of the City of Jeffersonville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

The schedule of funding progress on page 33 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily 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.

We were engaged to audit the financial statements referred to above for the purpose of expressing opinions on the financial statements that collectively comprise the City of Jeffersonville, Georgia's basic financial statements. The Recorder's Court Agency Fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. As discussed in the third paragraph above, the scope of our work was not sufficient to enable us to express and we do not express an opinion on the accompanying Recorder's Court Agency Fund financial statements.

Macon, Georgia
June 27, 2012



BASIC FINANCIAL STATEMENTS

City of Jeffersonville, Georgia
Statement of Net Assets
December 31, 2011

	Primary Government			Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents (Note 3A)	$ 142,332	$ 44,118	$ 186,450	$ 6,192
Receivables:				
Accounts	7,161	15,882	23,043	-
Taxes	168,470	-	168,470	-
Intergovernmental	1,101	-	1,101	-
Interest	218	-	218	-
Restricted assets	-	32,022	32,022	-
Total Current Assets	319,282	92,022	411,304	6,192
Noncurrent Assets				
Capital assets (Note 3D)				
Nondepreciable	7,438	410,235	417,673	-
Depreciable, net	53,175	6,660,663	6,713,838	-
Total Noncurrent Assets	60,613	7,070,898	7,131,511	-
Total Assets	379,895	7,162,920	7,542,815	6,192
Liabilities				
Current Liabilities				
Accounts payable	29,228	23,793	53,021	-
Accrued expenses	11,731	-	11,731	-
Compensated absences payable	2,799	402	3,201	-
Customer deposits	-	22,771	22,771	-
Accrued interest	-	8,888	8,888	-
Revenue bonds payable	-	61,511	61,511	-
Total Current Liabilities	43,758	117,365	161,123	-
Long-term Liabilities: (net of current portion) (Note 3F)				
Net pension obligation	4,570	-	4,570	-
Revenue bonds payable	-	2,553,993	2,553,993	-
Total Long-term Liabilities	4,570	2,553,993	2,558,563	-
Total Liabilities	48,328	2,671,358	2,719,686	-
Net Assets				
Invested in capital assets, net of related debt (Note 3H)	60,613	4,455,394	4,516,007	-
Restricted for debt service	-	32,022	32,022	-
Unrestricted	270,954	4,146	275,100	6,192
Total Net Assets	$ 331,567	$ 4,491,562	$ 4,823,129	$ 6,192

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Statement of Activities
For the Year Ended December 31, 2011

Function/Program	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Downtown Development Authority
Primary Government							
Governmental Activities							
General government	$ 258,909	$ 13,471	$ -	$ (245,438)	$ -	$ (245,438)	$ -
Public safety	139,925	18,157	-	(121,768)	-	(121,768)	-
Public works	24,066	32,752	-	8,686	-	8,686	-
Interest	727	-	-	(727)	-	(727)	-
Total Governmental Activities	423,627	64,380	-	(359,247)	-	(359,247)	-
Business-type Activities:							
Water and sewerage	669,949	384,417	-	-	(285,532)	(285,532)	-
Total - Primary Government	$ 1,093,576	$ 448,797	$ -	(359,247)	(285,532)	(644,779)	-
Component Unit							
Downtown Development Authority	$ 1,177	$ -	$ -	-	-	-	(1,177)
General Revenues							
Property taxes levied for general government purposes				140,643	-	140,643	-
Local option sales tax				150,385	-	150,385	-
Insurance premium tax				48,546	-	48,546	-
Franchise tax				59,955	-	59,955	-
Beer and liquor tax				28,629	-	28,629	-
Investment earnings				1,362	1,053	2,415	35
Miscellaneous				5,988	-	5,988	-
Total General Revenues				435,508	1,053	436,561	35
Transfers				(97,486)	97,486	-	-
Change in Net Assets				(21,225)	(186,993)	(208,218)	(1,142)
Net Assets Beginning of Year				352,792	4,678,555	5,031,347	7,334
Net Assets End of Year				$ 331,567	$ 4,491,562	$ 4,823,129	$ 6,192

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Balance Sheet
Governmental Fund
December 31, 2011

	General
Assets	
Cash and cash equivalents	$ 142,332
Receivables:	
Accounts	5,848
Taxes	168,470
Intergovernmental	1,101
Interest	218
Interfund	1,313
Total Assets	$ 319,282
Liabilities and Fund Balances	
Liabilities	
Accounts payable	$ 29,228
Payroll liabilities payable	11,731
Deferred revenue	117,456
Total Liabilities	158,415
Fund Balances	
Unassigned	160,867
Total Liabilities and Fund Balances	$ 319,282

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
December 31, 2011

Total Governmental Fund Balances			$ 160,867
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.			
Cost of capital assets	$ 344,463		
Less accumulated depreciation	(283,850)		60,613
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			117,456
Liabilities not due and payable in the current period and therefore are not reported in the governmental fund balance sheets but are reported on the government-wide statement of net assets.			
Compensated absences	$ (2,799)		
Net pension obligation	(4,570)		(7,369)
Net Assets of Governmental Activities			$ 331,567

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the Year Ended December 31, 2011

	General
Revenues	
Taxes	$ 388,727
Licenses and permits	13,471
Charges for services	32,752
Fines and forfeitures	18,157
Investment earnings	1,362
Miscellaneous	5,988
Total Revenues	460,457
Expenditures	
Current:	
General government	260,282
Public safety	130,819
Public works	24,066
Debt Service:	
Principal	2,124
Interest	727
Total Expenditures	418,018
Excess of Revenues Over/(Under) Expenditures	42,439
Other Financing Sources/(Uses):	
Transfer to Other Fund	(97,486)
Total Other Financing Sources/(Uses)	(97,486)
Net change in fund balance	(55,047)
Fund Balances Beginning of Year	215,914
Fund Balances End of Year	$ 160,867

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

For the Year Ended December 31, 2011

Net Changes In Fund Balances - Total Governmental Funds		$ (55,047)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures on the governmental fund type operating statement. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded the capital outlay capitalized in the current period.		
Depreciation expense	$ (11,343)	(11,343)
Property tax revenues in the government-wide statement of activities do not provide current financial resources are not reported as revenues in the governmental fund operating statement.		
Liability @ 12/31/11	$ 117,456	
Liability @ 12/31/10	(78,025)	39,431
Repayment of general obligation debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		2,124
Net pension obligation is reported in the government-wide statement of activities, but does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.		
Liability @ 12/31/11	(4,570)	
Liability @ 12/31/10	-	(4,570)
Compensated absences are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Liability @ 12/31/11	$ (2,799)	
Liability @ 12/31/10	10,979	8,180
Change In Net Assets of Governmental Activities		$ (21,225)

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
Real and personal property taxes				
General property tax	$ 156,074	$ 156,074	$ 89,049	$ (67,025)
Vehicle property tax	10,004	10,004	12,163	2,159
Total real and personal property taxes	166,078	166,078	101,212	(64,866)
Selective taxes:				
Sales tax	139,803	139,803	150,385	10,582
Franchise tax	52,324	52,324	59,955	7,631
Beer and liquor tax	24,584	24,584	28,629	4,045
Insurance premium tax	-	-	48,546	48,546
Total selective taxes	216,711	216,711	287,515	70,804
Licenses and permits:				
Business licenses and permits	9,812	9,812	13,471	3,659
Fines and forfeitures:				
Court fines	12,279	12,279	18,157	5,878
Charges for services:				
Garbage collections and other	-	-	32,752	32,752
Miscellaneous:				
Investment earnings	2,152	2,152	1,362	(790)
Miscellaneous	2,114	2,114	5,988	3,874
Total miscellaneous	4,266	4,266	7,350	3,084
Total revenues	$ 409,146	$ 409,146	$ 460,457	$ 51,311

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2011
(Continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures				
Current:				
General government	$ 231,701	$ 231,701	$ 260,282	$ (28,581)
Public safety:				
Police	150,659	150,659	128,545	22,114
Fire	7,300	7,300	2,274	5,026
Total public safety	157,959	157,959	130,819	27,140
Public works	26,505	26,505	24,066	2,439
Total Current	416,165	416,165	415,167	998
Debt Service:				
Principal retirement	13,000	12,000	2,124	9,876
Interest and fiscal charges	-	1,000	727	273
Total Debt Service	13,000	13,000	2,851	10,149
Total Expenditures	429,165	429,165	418,018	11,147
Excess of Revenue Over/(Under) Expenditures	(20,019)	(20,019)	42,439	62,458
Other Financing Sources				
Transfer to Other Funds	-	-	(97,486)	(97,486)
Total Other Financing Sources	-	-	(97,486)	(97,486)
Net Change in Fund Balance	(20,019)	(20,019)	(55,047)	(35,028)
Fund balance, beginning of year	20,019	20,019	215,914	195,895
Fund balance, end of year	$ -	$ -	$ 160,867	$ 160,867

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Statement of Net Assets
Proprietary Fund - Water and Sewerage Fund
December 31, 2011

Assets		
Current Assets:		
Cash and cash equivalents	$	44,118
Receivables:		
Accounts		15,882
Restricted assets:		
Cash and cash equivalents		31,547
Accrued interest receivable		475
Total Current Assets		92,022
Noncurrent Assets:		
Capital assets:		
Nondepreciable		410,235
Depreciable, net		6,660,663
Total Noncurrent Assets		7,070,898
Total Assets		7,162,920
Liabilities		
Current Liabilities:		
Accounts payable		23,793
Customer deposits payable		22,771
Compensated absences payable		402
Current liabilities payable from restricted assets		
Revenue bonds payable		61,511
Accrued interest		8,888
Total Current Liabilities		117,365
Long-term Liabilities (net of current portion):		
Revenue bonds payable		2,553,993
Total Long-term Liabilities		2,553,993
Total Liabilities		2,671,358
Net Assets		
Invested in capital assets, net of related debt		4,455,394
Restricted for debt service		32,022
Unrestricted		4,146
Total Net Assets	$	4,491,562

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund - Water and Sewerage Fund
For the Year Ended December 31, 2011

Operating Revenues	
Charges for services	$ 384,417
Total Operating Revenues	384,417
Operating Expenses	
Personal services	46,822
Purchased services	264,270
Materials and supplies	1,600
Depreciation	247,317
Total Operating Expenses	560,009
Operating (Loss)	(175,592)
Non-Operating Revenues (Expenses)	
Interest and fiscal charges	(109,940)
Investment earnings	1,053
Total Non-Operating Revenues (Expenses)	(108,887)
(Loss) Before Transfers (Out)	(284,479)
Transfers In	97,486
Change in Net Assets	(186,993)
Net Assets Beginning of Year	4,678,555
Net Assets End of Year	$ 4,491,562

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Statement of Cash Flows
Proprietary Fund - Water and Sewerage Fund
For the Year Ended December 31, 2011

Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	$	388,807
Cash payments to employees for services		(46,420)
Cash payments for goods and services		(250,257)
Net Cash Provided by (Used in) Operating Activities		92,130
Cash Flows from Noncapital Financing Activities		
Interfund payable		(64,467)
Transfers in		97,486
Net Cash Provided by (Used in) Noncapital Financing Activities		33,019
Cash Flows from Capital and Related Financing Activities		
Principal paid on revenue bonds		(60,062)
Interest paid on revenue bonds		(110,162)
Net Cash Provided by (Used in) Capital and Related Financing Activities		(170,224)
Cash Flows from Investing Activities		
Investment earnings		1,224
Net Increase (Decrease) in Cash and Cash Equivalents		(43,851)
Cash and Cash Equivalents Beginning of Year		119,516
Cash and Cash Equivalents End of Year	$	75,665
Reconciliation to Statement of Net Assets		
Cash and cash equalivalents	$	44,118
Restricted assets		31,547
Total Cash and Cash Equivalents	$	75,665

City of Jeffersonville, Georgia
Statement of Cash Flows
Proprietary Fund - Water and Sewerage Fund
For the Year Ended December 31, 2011
(continued)

Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	$	(175,592)
Adjustments:		
Depreciation		247,317
(Increase) Decrease in Assets:		
Accounts receivable		1,990
Increase (Decrease) in Liabilities:		
Accounts payable		15,613
Customer deposits		2,400
Compensated absences payable		402
Net Cash Provided by (Used in) Operating Activities	$	92,130

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Comparative Statement of Fiduciary Assets and Liabilities
Municipal Court Agency Fund
December 31, 2011

Assets	
Cash and cash equivalents	$ 1,444
Liabilities	
Due to others	$ 1,444

See accompanying notes to the basic financial statements

NOTES TO THE FINANCIAL STATEMENTS

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The City of Jeffersonville, Georgia (the "City") was chartered by an act of the General Assembly of the State of Georgia. The City operates under a Mayor/Council form of government and provides the following services as authorized by its charter: general government, judicial, public safety (police and fire), public works including sanitation, and culture and recreation. The City also operates a water and sewer program.

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements. The City has elected not to follow private-sector guidance issued after November 30, 1989.

The most significant of the City's accounting policies are described below.

1-A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

The following separate entity is the discretely presented component unit of the City.

Downtown Development Authority (Development Authority) – The Development Authority is a public body, corporate and politic, and was created upon the adoption and approval of the Development Authorities Law of the State of Georgia. The Mayor and City Council appoint all members of the Development Authority Financial statements of the Downtown Development Authority, if material, are required to be included in the City's basic financial statements as a discretely presented component unit. This is in accordance with a determination made for such entities by the Georgia Department of Audits and Accounts. Specific information relative to the Authority may be obtained at City Hall, Jeffersonville, Georgia as the Development Authority does not issue a separate financial report.

1-B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. The primary government and the component units are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the City's general revenues, from business-type activities, generally financed in whole or in part with charges to external customers.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of net assets presents the financial position of the governmental and business-type activities of the City at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted.*

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

The government-wide financial statements do not include the City's agency fund.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental, proprietary and fiduciary funds.

The two major individual funds, the general fund and the enterprise fund are reported in separate columns.

Fund Accounting - The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses three categories of funds: governmental, proprietary and fiduciary.

> ***Governmental Funds*** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following is the City's major governmental fund:
>
> > ***The General Fund*** – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of State of Georgia.
>
> ***Proprietary Fund*** - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The City's proprietary fund is classified as a major enterprise fund, which is the water and sewerage fund, which provides utility services to the City's citizens.
>
> > ***The Water and Sewerage Fund*** – This fund provides water and sewerage services for City residents.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fiduciary Funds – Fiduciary fund reporting focuses on changes in net assets. The City's fiduciary fund is an agency fund used to record receipts and disbursements relating to the recorder's court.

1-C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities reports revenues and expenses.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net assets. The statements of changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

1-D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. The proprietary fund uses the accrual basis of accounting at both reporting levels and the fiduciary fund uses the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within sixty days of year-end.

Revenues - Non-exchange Transactions - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (Note 3C) Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within sixty days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes and federal and state grants.

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Revenue/Unearned Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue.

Deferred revenues are reclassified as "*unearned revenue*" on the statement of net assets.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E. Assets, Liabilities, and Fund Equity

1-E-1 Cash, Cash Equivalents, and Investments

Cash and cash equivalents include 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 are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or Government agency
- Obligations of any corporation of the United States Government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

1-E-2 Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled utility charges are accrued as receivables and revenue at December 31, 2011.

1-E-3 Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Note 1 - Summary of Significant Accounting Policies (Continued)

1-E-4 Restricted Assets

Restricted assets are primarily cash and cash equivalents set aside for water system revenue bond accounts for the retirement, the costs of operations and maintenance, debt service retirement and renewal and extension.

1-E-5 Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items at both reporting levels using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

1-E-6 Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the government fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise fund's statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City began capitalizing its infrastructure in 2004. The City is not capitalizing their infrastructure retroactively to 1980. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

	Estimated Lives	
Asset Class	Governmental Activities	Business-type Activities
Buildings	50 Years	20 Years
Building improvements	50 Years	N/A
Water plants and lines	N/A	5 - 40 Years
Machinery and equipment	5 Years	5 Years

1-E-7 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

Note 1 - Summary of Significant Accounting Policies (Continued)

The total compensated absence liability is reported on the government-wide financial statements. The enterprise fund reports the total compensated liability in the individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "*when due.*"

1-E-8 Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

1-E-9 Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund 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 approval of a motion. Only, the City also may modify or rescind the commitment.

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. By motion, the City Council has authorized the Mayor or City Clerk or designee to assign fund balances.

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

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

- Committed
- Assigned
- Unassigned

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net asset amount also is adjusted by any bond issuance deferral amounts. Net assets 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. All other net assets are reported as unrestricted.

1-E-10 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sanitation services. Operating expenses are necessary costs incurred to provide the water and sewerage services. All other revenues and expenses are classified as nonoperating and include interest expense and earnings on investments.

1-E-11 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and the after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

1-E-12 Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Stewardship, Compliance, and Accountability

2-A. Budgetary Information – The City adopts an annual operating budget for the general fund.

The general fund budget is adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. The City Clerk may transfer appropriations between line items within a department. Any change in total to a fund or departmental appropriation within a fund requires approval of the Mayor and City Council, as a budget amendment. The 2011 budget was not amended.

The City's management may approve budget transfers within departments. All unexpended annual appropriations lapse at year-end.

Note 2 – Stewardship, Compliance, and Accountability (Continued)

2-B. Excess of Expenditures over Appropriations

The following departments had expenditures in excess of departmental appropriations.

General Government	$28,581
Transfer to Water & Sewer Fund	97,486

Note 3 - Detailed Notes on All Funds

3-A. Deposits

Custodial Credit Risk – Deposits – The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered.

The City's bank balances of deposits as of December 31, 2011, are entirely insured or collateralized with securities held by the City's agent in the City's name.

State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

3-B. Receivables

Receivables at December 31, 2011, consisted of taxes, accounts (billings for user charges), and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability. At December 31, 2011, allowances for uncollectibles were reported as follows:

General fund (property taxes)	$123,138
Water and sewerage fund (charges for services)	125,994

3-C. Property Taxes

The City Council levied property taxes December 13, 2010. Property taxes attach as an enforceable lien on property as of January 1, 2011. Property taxes are billed on January 9, 2012 and were payable on March 9, 2012.

Note 3 - Detailed Notes on All Funds (Continued)

3-D. Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2011, was as follows:

	Balance 1/1/2011	Additions	Deductions	Balance 12/31/2011
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 7,438	$ -	$ -	$ 7,438
Other capital assets:				
Buildings and improvements	111,828	-	-	111,828
Machinery and equipment	225,197	-	-	225,197
Total other capital assets	337,025	-	-	337,025
Total capital assets	344,463	-	-	344,463
Accumulated depreciation:				
Buildings and improvements	64,264	2,237	-	66,501
Machinery and equipment	208,243	9,106	-	217,349
Total accumulated depreciation	272,507	11,343	-	283,850
Governmental activities capital assets, net	$ 71,956	$ (11,343)	$ -	$ 60,613

Governmental activities depreciation expense:

General government	$ 2,237
Public safety	9,106
Total governmental activities depreciation expense	$ 11,343

Note 3 - Detailed Notes on All Funds (Continued)

Capital asset activity for business-type activities for the year ended December 31, 2011, was as follows:

	Balance 1/1/2011	Additions	Deductions	Balance 12/31/2011
Water and sewerage fund				
Nondepreciable capital assets				
Land	$ 410,235	$ -	$ -	$ 410,235
Total nondepreciable capital assets	410,235	-	-	410,235
Other capital assets:				
Plant and lines	9,436,178	-	-	9,436,178
Machinery and equipment	107,737	-	-	107,737
Total other capital assets	9,543,915	-	-	9,543,915
Total capital assets	9,954,150	-	-	9,954,150
Accumulated depreciation:				
Plant and lines	2,551,698	228,723	-	2,780,421
Machinery and equipment	84,237	18,594	-	102,831
Total accumulated depreciation	2,635,935	247,317	-	2,883,252
Water and sewerage fund capital assets, net	$ 7,318,215	$ (247,317)	$ -	$ 7,070,898

Business-type activities depreciation expense:

Water and sewerage	$ 247,317
Total business-type activities depreciation expense	$ 247,317

3-E. Interfund Balances

Interfund Balances – The General Fund reported an interfund receivable from the recorders court agency fund in the amount of $1,313 at December 31, 2011. The water and sewerage fund reported an interfund transfer from the general fund in the amount of $97,486 at December 31, 2011. This amount relates to water fund costs paid by the general fund.

3-F. Long-Term Debt

Governmental Activities – Capital Lease Payables

In 2008, the City entered into a capital lease for a 2009 Ford police vehicle with Ford Motor Credit Corporation. The financing period is 12 quarterly payments of $2,155 (which includes interest expense) at a 5.95% interest rate. The cost of the patrol cars total $23,878 and the book value at December 31, 2011 is $6,765.

Note 3 - Detailed Notes on All Funds (Continued)

Business-type Activities – Revenue Bonds – The City reports two outstanding revenue bond issues at December 31, 2011.

1974 Issue - The City issued revenues in 1974 for water and sewerage purposes at an interest rate of 5%, in the amount of $440,000, due in various semi-annual installments, maturing on December 1, 2013. The bonds are secured by a pledge of revenues from the operation of the City's water and sewerage fund, subject to payment of the reasonable and necessary costs of operating and maintaining the fund's facilities and systems.

The bond ordinances require revenues arising from the operations of the water system be deposited into the water and sewer revenue account and disbursed in the following manners and orders:

- Payment of reasonable and necessary costs of operating, maintaining and repairing the water system in to the operations and maintenance account. The ordinance also allows the City to maintain in reserve an amount equal to thirty days of working capital.

- Payment on or before the 15th of the month an amount equal to one-sixth of the interest payable on the next ensuing interest date and an amount equal to one-twelfth of the principal payable on the next enduing principal payment date.

- Payments in the renewal and extension for all remaining funds.

Annual debt service requirements to amortize this debt, as of December 31, 2011 follow:

Year	Principal	Interest	Total
2012	$ 25,000	$ 1,400	$ 26,400
2013	3,000	150	3,150
Total	$ 28,000	$ 1,550	$ 29,550

2005 Issue – On September 1, 2005, the City issued water and sewer revenue bonds, Series 2005 for acquiring, constructing and equipping a new wastewater treatment facility, totaling $2,756,500 at an interest rate of 4.125%. The first payment of interest only, was due on September 1, 2006, and thereafter, the bonds are due in monthly installments of principal and interest totaling $11,881, maturing on October 1, 2044. The bonds are secured by a pledge of revenues from the operation of the City's water and sewerage fund, subject to payment of the reasonable and necessary costs of operating and maintaining the fund's facilities and systems.

(This note continued on the subsequent page)

Note 3 - Detailed Notes on All Funds (Continued)

Annual debt service requirements to amortize this debt, as of December 31, 2011 follow:

Year	Principal	Interest	Total
2012	$ 36,511	$ 106,049	$ 142,560
2013	38,048	104,512	142,560
2014	39,645	102,915	142,560
2015	41,312	101,248	142,560
2016	43,047	99,513	142,560
2017 - 2021	243,962	468,838	712,800
2022 - 2026	299,732	413,068	712,800
2027 - 2031	368,261	344,539	712,800
2032 - 2036	452,457	260,343	712,800
2037 - 2041	556,201	156,599	712,800
2042 - 2045	468,328	35,844	504,172
Total	$ 2,587,504	$ 2,193,468	$ 4,780,972

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2011:

	Outstanding 1/1/2011	Additions	Reductions	Outstanding 12/31/2011	Amounts Due in One Year
Governmental Activities:					
Capital leases - Ford Motor - 2008	$ 2,124	$ -	$ 2,124	$ -	$ -
Net pension obligation	-	4,570	-	4,570	-
Compensated absences	10,979	5,423	13,603	2,799	2,799
Total Governmental Activities	$ 13,103	$ 9,993	$ 15,727	$ 7,369	$ 2,799
Business-type Activities:					
1974 revenue bonds	$ 53,000	$ -	$ 25,000	$ 28,000	$ 25,000
2005 revenue bonds	2,622,566	-	35,062	2,587,504	36,511
Compensated absences	-	804	402	402	402
Total Business-Type Activities	$ 2,675,566	$ 804	$ 60,464	$ 2,615,906	$ 61,913

The capital leases payable of the City's governmental funds were retired by general fund revenues. Principal and interest payments related to the City's revenue bonds payable are being repaid from the City's water and sewerage fund.

The compensated absences liability will be paid from the fund from which the employees' salaries are paid, normally the general fund.

Note 3 - Detailed Notes on All Funds (Continued)

3-G. Pension

Plan Description - The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), a defined benefit plan, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for cities in the State of Georgia. GMEBS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The City council established the benefit provisions and has the authority to amend these provisions through City ordinance. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the City. That report may be obtained by writing to:

Georgia Municipal Employees Benefit System
201 Pryor Street SW
Atlanta, Georgia 30303-3606
404/688-0472

All full-time City employees (i.e., 20 hours per week) with one year of service are eligible to participate in the plan with benefits vesting after 5 years of service. The plans provide either:

- Normal retirement benefit, whereas the employee retires at age 65 with five years of service
- Early retirement benefit, whereas the employee may retire at age 55 or older with ten years of service

City employees who retire at or after age 65 are entitled to an annual retirement benefit, payable monthly for life. Benefits are dependent upon such factors as the number of years of credited service to the City and the employee's final average earnings.

The early retirement benefit is computed in the same manner as the normal benefits, reduced on an actuarially equivalent basis. The plan provides death benefits in the form of a lifetime pension to the beneficiary if death occurs prior to retirement.

Funding Policy – The obligations to contribute for both the City and its employees are established by the City council through ordinance. City employees are not required to contribute to GMEBS. The City is required to contribute 100% of the amounts necessary to fund the System using the actuarial basis specified by statute. The current contribution rate is 11.75% of annual covered payroll.

Annual Pension Cost - For 2011, the City's annual pension cost of $20,189 for GMEBS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2010, actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases of 3.5% per year for inflation; and (c) .50% per year for merit or seniority. There is no postretirement benefit increase assumption. The actuarial value of GMEBS assets was determined using the sum of actuarial value at beginning of year and the increase in cost value during the year excluding realized appreciation or losses. This value is adjusted by 10% of the amount that it exceeds or is less than the market value at end of year.

GMEBS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis of 30 years, beginning July 1, 1981. The remaining amortization period at December 31, 2011 varies for the bases.

Note 3 - Detailed Notes on All Funds (Continued)

Plan Funded Status – The City's funding status based upon the most recent actuarial valuation follows:

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL/(UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
7/1/2011	$ 329,307	$ 369,443	89.1%	$ 40,136	$ 104,557	38.4%

Actuarial Valuation Information – The City's actuarial valuation information is as follows:

Current Valuation Date	July 1, 2011	July 1, 2010
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Pay (Closed)	Level Percentage of Pay (Closed)
Remaining Amortization Period	Varies for the bases with a net effective amortization period of ten years	Varies for the bases with a net effective amortization period of ten years
Actuarial Assumptions:		
Investment Rate of Return	7.75%	7.75%
Projected Salary Increases	3.50%	3.50%
Expected Annual Inflation	0%	0%
Actuarial Value of Assets	See Note Below	See Note Below

Note: Sum of the actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, with various adjustments.

Schedule of Employer Contributions

Year Ended December 31,	Annual Pension Cost	Annual Pension Contribution	Percentage Contributed	Net Pension Obligation
2009	$ 25,594	$ 25,594	100%	$ -
2010	28,084	28,084	100%	-
2011	20,189	15,619	77%	4,570

The required schedule of funding progress following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2012.

Note 3 - Detailed Notes on All Funds (Continued)

3-H. Invested in Capital Assets, Net of Related Debt

Net assets on the government-wide statement of net assets as of December 31, 2011 are as follows:

Invested in capital assets, net of related debt:	Governmental Activities	Business Type Activities
Cost of capital assets	$ 344,463	$ 9,954,150
Less accumulated depreciation	283,850	2,883,252
Book value	60,613	7,070,898
Less capital related debt	-	2,615,504
Invested in capital assets, net of related debt	$ 60,613	$ 4,455,394

Note 4 - Other Notes

4-A. Risk Management

Both the City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to cover automobile, property and liability coverage. However, the City has joined with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for its property and liability insurance. The City manages its risk of potential loss from injuries to employees by participating in the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is to allow the pools' agents and attorneys to represent them in investigation, settlement discussions and all levels of litigation arising out of any claim made against them within the scope of loss protection provided by the funds. The funds are to defend and protect the members of the funds against any liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The Funds are to pay all costs assessed to its members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation, or defense.

4-B. Contingent Liabilities

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

The City was a defendant in several lawsuits at December 31, 2011. In the opinion of City management, the outcome of these contingencies will not have a material effect on the financial position of the City.

The City did not file the 3rd and 4th quarter payroll reports with the IRS until after year-end. These returns have not been processed by the IRS, as of yet, so the amount of penalties and interest on these late returns is not known as of the date of the audit report.

Note 4 - Other Notes (Continued)

The City is in dispute with a credit card company over charges made on the credit card. As of the date of the audit report, this matter has not yet been resolved.

4-C. Joint Ventures

The City participates in the Middle Georgia Regional Commission. Membership in a RC is required by Code of Georgia §50-8-34, which provides for the organizational structure of the RC in Georgia. The RC Council membership includes the Chief elected official of each county and municipality of the area. Georgia law also provides that the member governments are liable for any debts or obligations of a RC beyond its resources. Financial statements for the Middle Georgia Regional Commission may be obtained from their administrative office in Macon, Georgia.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Jeffersonville, Georgia
Required Supplementary Information
For the Fiscal Year Ended December 31, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (c) (b - a)	Funded Ratio (a/b)	Covered Payroll (d)	UAAL as a Percentage of Covered Payroll [(b - a)(d)]
January 1, 2006	$ 240,881	$ 304,063	$ 63,182	79.2%	$ 232,677	27.2%
January 1, 2007	260,240	312,476	52,236	83.3%	244,743	21.3%
January 1, 2008	276,801	339,973	63,172	81.4%	262,149	24.1%
January 1, 2009	241,545	334,838	93,293	72.1%	191,293	48.8%
July 1, 2010	311,659	364,490	52,831	85.5%	168,950	31.3%
July 1, 2011	329,307	369,443	40,136	89.1%	104,557	38.4%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Percentage Contributed
December 31, 2009	$ 25,594	$ 25,594	100%
December 31, 2010	28,084	28,084	100%
December 31, 2011	20,189	15,619	77%

See notes to the basic financial statements for actuarial assumptions used in the above calculations.

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SUPPLEMENTARY INFORMATION

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City of Jeffersonville, Georgia
Municipal Court Agency Fund
Statement of Changes in Assets and Liabilities
For the Year Ended December 31, 2011

	Balance January 1, 2011	Additions	Deductions	Balance December 31, 2011
Assets				
Cash and cash equivalents	$ 2,626	$ 238	$ 1,420	$ 1,444
Liabilities				
Due to others	$ 2,626	$ 238	$ 1,420	$ 1,444

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CLH&P CLIFTON, LIPFORD, HARDISON & PARKER, LLC

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Truman W. Clifton (1902-1989)

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*

City Council
City of Jeffersonville, Georgia

We were engaged to audit the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the City of Jeffersonville, Georgia as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2012. The scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the remaining fund information as of and for the year ended December 31, 2011. Except as discussed above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2011-01, 2011-02, 2011-03, 2011-04, 2011-05, 2011-06, 2011-07, 2011-08, 2011-09, 2011-10, 2011-11, 2011-12, 2011-13, 2011-14, 2011-15, 2011-16 and 2011-17.

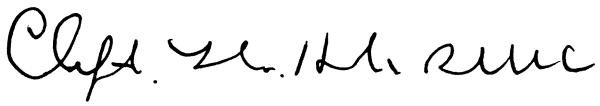
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 responses as item 2011-18.

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

This report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

Macon, Georgia
June 27, 2012



Financial Statement Findings

Findings noted on the "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":

2011-01 General Ledger Maintenance

CRITERIA
Timely and accurate financial reports are essential in order to perform analysis of the financial condition of the City, review data for accuracy and completeness, monitor compliance with budget appropriations, and to prepare annual financial statements.

CONDITION
During 2011, the City did not record transactions for the year into a general ledger and the general ledger control accounts were not reconciled to their subsidiary records. Interim financial reports presented to management, if any, were not prepared from a formal general ledger. After year-end, the City hired an outside consultant to prepare the general ledger for 2011 on behalf of the City.

EFFECT
Management was not provided with interim financial reports to be used to make fiscal-related decisions. A general ledger and subsidiary ledgers were not maintained during the year or available for review by management.

CAUSE
City personnel lacked adequate training to handle increasing complex requirements of governmental accounting.

RECOMMENDATION
We recommend that the City establish procedures to record all transactions in a timely manner into the general ledger and that monthly reports be prepared and reviewed by management.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. Effective on July 2, 2012, the City hired a new City Clerk with both the educational and professional background to prepare financial reports to Chart of Accounts standards making sure the general ledger is ready for audit at the end of the fiscal year.

2011-02 Accounts Receivable/Revenue

CRITERIA
Accounting procedures should be designed to insure that revenue is accrued and recognized when it becomes both measurable and available to finance expenditures of the fiscal period.

CONDITION
Various revenue items were not recorded in the proper fiscal period.

EFFECT
The City produced financial reports, which contained material errors. The audit procedures for 2011 identified the need for material adjustments to correct accounting records and financial reports. The adjustments are summarized as follows:

- Material audit adjustment was necessary to correctly report the Water and Sewer allowance account of $31,232.
- Material audit adjustments were necessary to correctly report property tax receivables, allowance and deferred revenue accounts of $30,697, $11,951 and $44,069, respectively.
- Material adjustments were necessary in the General Fund to correctly report Local Option Sales Taxes accounts receivable comprised of entries to reverse out the prior year receivable of $12,234 and to record the current year receivable of $13,537.

CAUSE
The City does not have adequate accounting procedures in place to insure the accrual of revenues in the proper year.

RECOMMENDATION
We recommend that the City develop procedures to insure the recording of revenues when they become measurable and available to finance expenditures of the fiscal period.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. The new City Clerk, whose first day of work is July 2, 2012, will record all revenue items in the proper fiscal period.

2011-03 Accounts Payable/Expenses

CRITERIA
In accordance with generally accepted accounting principles, expenses are classified in the fund where the revenues are generated to finances the expenses of the period. Year end procedures are necessary to ensure that expenses or expenditures are recorded in the appropriate fund.

CONDITION
The City does not have adequate accounting procedures to insure that expenses are recorded and properly classified when a liability is incurred.

EFFECT
Material audit adjustments were needed to fairly state and classify expenses for the year ended December 31, 2011. A summary of the required adjustments is as follows:

- A material adjusting entry of $44,922 was needed to correct General Fund expenditures that were recorded into the Water & Sewer Fund.
- A material adjusting entry of $12,500, related to a lawsuit settlement, was needed to transfer Water & Sewer Fund expenditures that were recorded into the General Fund.
- The City has not been consistent in its posting of transactions requiring several reclassifications and correcting entries to properly report activity.

CAUSE
The City lacked accounting procedures to insure the recording and proper classification of incurred expenses at the end of the fiscal period.

RECOMMENDATION
The City should establish procedures to insure the proper accrual and classification of all liabilities incurred during the fiscal period.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. Adequate accounting procedures will be implemented for City of Jeffersonville business by the new City Clerk.

2011-04 Management of Due to / From (Interfund) Accounts

CRITERIA
Generally accepted accounting principles require consideration of the collectability of receivables of all kinds whether external or internal to the City. As part of that process, the City should review the amounts included in due to / from accounts (interfund receivables and payables) in each fund to determine if amounts should instead be treated as a transfer in/ out during any given fiscal year.

CONDITION
During current year audit procedures, it became apparent that the City was carrying old interfund receivable / payable balances forward from prior years.

EFFECT
An audit adjustment was required between the General Fund and the Water & Sewer Fund to report the write off of the old interfund receivable / payable of $97,486.

CAUSE
The control weakness is the result of the City not establishing adequate internal controls to monitor the collectability of interfund receivable and payable accounts.

RECOMMENDATION
We recommend the City review all interfund receivables and payables on a monthly basis and consider the need for timely settlements between funds.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. Standard accounting practices will be implemented with the arrival of the new City Clerk on July 2, 2012.

2011-05 Property Taxes

CRITERIA
Subsidiary records for property taxes should be maintained and reconciled with the general ledger on a monthly basis.

CONDITION
The City has not established adequate internal control policies and procedures in regards to reconciling property taxes. The City is not posting payments and adjustments to the TBS subsidiary records on a timely basis. The unpaid property tax reports are not being maintained to assist in the reconciliation process.

EFFECT
Subsidiary records were not maintained and reconciled causing accounting records and financial reports to be unreliable. Incomplete and unreconciled accounting records while typically are indicative of general disorganization, could be a flag of a much more serious issue such as potential fraud or other such abuse.

CAUSE
It appears these conditions are the result of a breakdown in internal controls regarding the accounting for property tax revenues. In addition, other factors include the need to enhance supervision of employees' performance, to provide employees with resources to improve their training and skills in the specific area of their responsibility.

RECOMMENDATION
The Administration should take a proactive role in monitoring the activity of the City Clerk, and evaluating personnel duties and responsibilities. The City should also consider providing additional training to current personnel. The City should establish month-end procedures to follow, including a month-end checklist of reports to be generated and reconciliations to be performed.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. The City Clerk will post payments and adjustments to the subsidiary records on a timely basis, maintaining all records in an efficient manner.

2011-06 Bank Reconciliations

CRITERIA
An effective system of internal controls includes the requirement that all bank accounts are reconciled with the general ledger on a monthly basis and the reconciliations are reviewed by management or another responsible official.

CONDITION
Monthly bank reconciliations were not being performed on any of the accounts during 2011. Reconciliations were only being performed by an outside consultant after the end of the year. The City was not receiving monthly bank statements from the banks on the City bank accounts but did have online access to the bank account activity. Old reconciling items noted on the bank reconciliations performed by the outside consultant are not being cleared by the City in a timely manner.

EFFECT
Bank statements were not available for the proper reconciliations to be performed or for others within the City to review the bank statement activity. The failure to reconcile bank accounts on a timely basis resulted in incomplete or inaccurate recording of transactions in the City's financial records. As a result, management relied on financial reports which contained material omissions or errors.

CAUSE
The City lacked personnel with adequate technical training to perform the bank reconciliations.

RECOMMENDATION
We recommend that the City obtain the monthly bank statements from the banks and that each bank account be reconciled to the general ledger on a timely basis each month. All reconciling items should be reviewed and any items that do not clear in a timely manner should be reviewed to determine if any adjustments or correcting entries are needed. Additionally, we recommend that the reconciliations be reviewed by a responsible official with adequate training in governmental accounting standards and generally accepted accounting principles.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. The City has spoken with Sunrise Bank to request receipt of monthly paper statements on all accounts. The City Clerk will reconcile monthly statements and prepare financial reports to Chart of Accounts standards making sure the general ledger is ready for audit at the end of the fiscal year.

2011-07 Fines and Forfeiture Revenue

CRITERIA
Internal control policies and procedures should be established to ensure that all activity of the primary government is recorded and reported.

CONDITION
The City could not locate the citation books with copies of all citations issued during 2011. The City has not established adequate internal controls over the citation books. Also, the City has not established adequate internal controls over the handling of the payments on citations. During 2012, the City had to issue refunds to individuals due to the lack of the proper controls and handling of citations.

EFFECT
Adequate testing could not be performed on the fines and forfeiture revenue account to insure that all citations issued during 2011 were accounted for by the City. Missing accounting records such as citation books, while typically are indicative of general disorganization, could be a flag of a much more serious issue such as potential fraud or other such abuse.

CAUSE
It appears this condition is the result of a breakdown in internal controls regarding the accounting for fines and forfeiture revenues. In addition, other factors include the need to enhance the supervision of employees' performance, to provide employees with resources to improve their training and skills in the specific area of their responsibility.

RECOMMENDATION
The City should establish procedures to ensure that the fines and forfeiture revenues are recorded and reported on a timely basis.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. The City of Jeffersonville Police Department has relocated to offices in City Hall. The City has implemented filing of a monthly report from each police officer and a monthly composite report from the Chief of Police. As a condition for quarterly evaluations and continued employment in good standing with the City, citation books and other records will be maintained in easy to access good order by the Municipal Court Clerk with copies to be maintained in good order by each police officer and Chief of Police.

2011-08 Payroll Tax Deposits

CRITERIA
An effective system of internal controls should be designed to insure that all the necessary payroll taxes are paid in accordance with IRS guidelines.

CONDITION
The City did not pay the payroll tax deposits in a timely manner during 2011.

EFFECT
The City was assessed penalties and interest on the payroll taxes of $3,843 for 2011. Additional penalties and interest could be assessed on the 3rd and 4th quarter payroll reports that were not filed until after year-end. As of June 27, 2012, these IRS matters have not been resolved.

CAUSE
The City lacked personnel with adequate technical training to properly pay all necessary payroll taxes.

RECOMMENDATION
Management should establish procedures to insure that all required payroll paid to the appropriate authorities in a timely manner. We also recommend that the City look into obtaining the services of a payroll service to handle all payroll related duties for the City.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. Since May 2, 2012, City payroll is managed by the professional payroll preparation company, Altera Payroll Service.

2011-09 Payroll Tax Reports

CRITERIA
An effective system of internal controls should insure that all the necessary payroll reports are prepared and filed with the appropriate authorities accurately and on a timely basis.

CONDITION
The City did not file the quarterly 941 payroll reports with the IRS for the 3rd and 4th quarters of 2011. The City did not file other 941 reports in a timely manner resulting in interest and penalties being assess against the City by the IRS.

EFFECT
The City was delinquent in filing the necessary payroll reports with the appropriate authorities resulting in penalties and interest being assessed against the City.

CAUSE
The City lacked personnel with adequate technical training to prepare and file the necessary payroll reports.

RECOMMENDATION
Management should establish procedures to insure that all required payroll reports are prepared accurately and submitted to the appropriate authorities in a timely manner. We also recommend that the City look into obtaining the services of a payroll service to handle all payroll related duties for the City.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. Since May 2, 2012, City payroll is managed by the professional payroll preparation company, Altera Payroll Service.

2011-10 Credit Card Activity – Record Retention

CRITERIA
Accounting and control procedures should be designed to insure that all expenditures are properly approved and that adequate supporting documentation is maintained for the expenditure item.

CONDITION
The City could not provide copies of the monthly credit card statements for November and December 2011. Also, the City does not maintain supporting documentation for the items charged to the credit card.

EFFECT
The failure to obtain and maintain monthly statements and supporting documentations for charges to the credit card caused accounting records and financial reports to be unreliable. Missing accounting records such as credit card statements, while typically are indicative of general disorganization, could be a flag of a much more serious issue such as potential fraud or other such abuse.

CAUSE
It appears this condition is the result of a breakdown in internal controls regarding the handling of credit card activity. In addition, other factors include the need to enhance supervision of employees' performance, to provide employees with resources to improve their training and skills in the specific area of their responsibility.

RECOMMENDATION
We recommend that the City obtain the monthly credit card statements from the bank and that all charges to the card have adequate supporting documentation. The City should also establish procedures to ensure that only approved items are charged to the credit card.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. A nearly complete breakdown of oversight coupled with neglect and disorganization in the office of the City Clerk resulted in lack of records retention. Upon calling the credit card company for copies of missing monthly statements, City officials were informed that the credit card was a "Personal Lines" card rather than a "Commercial Lines" card. Because the credit card was opened using a personal social security number, birth date and mother's maiden name, the credit card company denied the City's request for copies of invoices even though the City maintained payments on the account for several years. City officials canceled the credit card.

2011-11 Unapproved $10,000 Credit Card Advance

CRITERIA
Accounting and control procedures should be designed to insure that all expenditures are properly approved and that adequate supporting documentation is maintained for the expenditure item.

CONDITION
The former City Clerk obtained a $10,000 cash advance on the credit card on September 23, 2011 without any documentation of the advance in the City Council minutes or any other documentation authorizing the advance.

EFFECT
A material audit adjustment was needed to correct the reporting of the advance. The City is disputing the repayment of this advance since the credit card was not properly set up under the City's tax ID number. As of June 27, 2012, this matter has not been resolved with the credit card company.

CAUSE
It appears this condition is the result of a lack of policies and procedures regarding the accounting for credit card transactions. In addition, other factors include the need to enhance supervision of employees' performance, to provide employees with resources to improve their training and skills in the specific area of their responsibility.

RECOMMENDATION
We recommend that the City establish procedures to insure that all credit card transactions have the proper approvals. Additionally, we recommend that the credit card statements be reviewed by a responsible official with adequate training.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. City officials canceled the credit card.

2011-12 Unapproved Credit Card

CRITERIA
Accounting and control procedures should be designed to insure that all expenditures are properly approved and that adequate supporting documentation is maintained for the expenditure item.

CONDITION
In prior years, the former City Clerk obtained a credit card using his personal social security number instead of the City's tax ID number. The credit card statements were in the City's name and address even though the account was not set up with the City's tax ID number.

EFFECT
The City is unable to obtain copies of certain credit card statements because the card was issued under the former City Clerk's social security number. As of June 27, 2012, this matter has not been resolved with the credit card company.

CAUSE
It appears this condition is the result of a breakdown in internal controls regarding the approval for the issuance of a City credit card. In addition, other factors include the need to enhance supervision of employees' performance, to provide employees with resources to improve their training and skills in the specific area of their responsibility.

RECOMMENDATION
We recommend that the City establish procedures to insure that all credit cards have the approval from the City Council prior to obtaining the credit card.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. City officials notified the credit card company of potential fraud and canceled the credit card.

2011-13 Record Retention and Filing System

CRITERIA
Accounting procedures and controls should be designed to insure that all records are properly maintained and filed to provide greater efficiencies and to aid the City in the oversight process.

CONDITION
During our testing, it was noted that the filing of invoices was inadequate as some invoices could not be located, some were incorrectly filed and some invoices were not kept with the check copies.

EFFECT
Missing accounting records such as invoices, while typically are indicative of general disorganization, could be a flag of a much more serious issue such as potential fraud or other such abuse.

CAUSE
Management has not designed sufficient procedures to allow for the proper retention and filing of accounting records.

RECOMMENDATION
We recommend that the City review its controls and procedures to ensure that all of the proper records are maintained and that they are filed appropriately.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. As of July 2, 2012, a well-trained, highly motivated new City Clerk will assume the office of City Clerk.

2011-14 Water and Sewer Revenue

CRITERIA
Accounting procedures should be designed to insure that revenue is accrued and recognized when it becomes both measurable and available to finance expenditures of the fiscal period.

CONDITION
The City was recording revenue on a cash basis rather than when the accounts are billed.

EFFECT
The City is not reporting the proper classification of revenue sources. The accounts receivable subsidiary records do not accurately reflect the outstanding customer balances. Subsidiary records were not being maintained and reconciled causing accounting records and financial reports to be unreliable.

CAUSE
It appears this condition is the result of a lack of proper polices and procedures regarding the accounting for Water and Sewer revenues. In addition, other factors include the need to enhance supervision of employees' performance, to provide employees with resources to improve their training and skills in the specific area of their responsibility.

RECOMMENDATION
The City should establish procedures to ensure that the penalty assessed against Water and Sewer revenue is recorded and reported on a timely basis.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. The City Clerk will implement standard accounting procedures and record revenue in a consistently timely fashion.

2011-15 Record Retention – Water and Sewer Billing Reports

CRITERIA
Internal controls should be designed to insure billing registers are being reconciled to the general ledger control account on a monthly basis to detect and correct billing errors in a timely manner within the normal course of performing day-to-day operations.

CONDITION
The City has not established adequate internal control policies and procedures in regards to operating a utility billing system. The City does not produce the monthly billing and receivable reports to assist in the reconciliation process.

EFFECT
The lack of internal control policies over reconciling billing registers on a monthly basis has hindered the City personnel of identifying billing errors in a timely manner..

CAUSE
It appears these conditions are the result of a breakdown in internal controls regarding record retention. The breakdown can be attributed primarily to turnover in the City personnel. In addition, other factors include the need to enhance supervision of employees' performance, to provide employees with resources to improve their training and skills in the specific area of their responsibility.

RECOMMENDATION
The City should print and maintain the monthly billing and receivable reports during the year to assist in reconciling the reports to the ledger and to identify any billing errors that may occur. The City should establish month-end procedures to follow, including a month-end checklist of reports to be generated and reconciliations to be performed.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. The City Water Clerk has been informed of the requirement of producing monthly billing and receivable reports for the water utility operation. As a condition of quarterly evaluations and continued employment in good standing, she will produce these necessary reports monthly to assist in the reconciliation process.

2011-16 Customer Deposits – Water and Sewerage Fund

CRITERIA
Customer deposits held by the City should be reconciled with the general ledger each month.

CONDITION
The City was unable to provide detailed subsidiary records which agree to the general ledger for customer deposits in the Water & Sewer Fund as of December 31, 2011. The City is not reconciling the customer deposit subsidiary records to the bank account set up by the City to handle and process customer deposits. The City is not maintaining supporting documentation for customer deposits.

EFFECT
Subsidiary records were not reconciled with general ledger control accounts causing accounting records and financial reports to be unreliable. Incomplete and unreconciled accounting records, while typically are indicative of general disorganization, could be a flag of a much more serious issue such as potential fraud or other such abuse.

CAUSE
It appears these conditions are the result of a breakdown in internal controls regarding monitoring of Water and Sewer customer deposit procedures. The breakdown can be attributed to the inability to fill this position with qualified personnel. In addition, other factors include the need to enhance supervision of employees' performance, to provide employees with resources to improve their training and skills in the specific area of their responsibility.

RECOMMENDATION
The Administration should take a proactive role in monitoring the activity of the Water and Sewer Clerk, and evaluating personnel duties and responsibilities. The City should also consider providing additional training to current personnel.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. The City Water Clerk has been informed of the requirement for reconciling the customer deposit subsidiary records to the bank account set up by the City to handle and process customer deposits, maintaining supporting documentation for customer deposits, and maintaining detailed subsidiary records which agree with the general ledger for customer deposits in the Water and Sewer Fund as a condition of continued employment in good standing with the City.

2011-17 Water and Sewerage Accounts Receivable

CRITERIA
Service rules and regulations should define the terms of service, billing and collection procedures for the water and sewerage system.

CONDITION
The City was not adequately pursuing collection of past-due and inactive customer account balances. As of December 31, 2011, the past-due account balances represented approximately 80% of the total outstanding accounts receivable balance.

EFFECT
Customers are permitted to continue to receive service even though their account is in a past due status. Additionally, we are not aware of any collection activities on inactive past due accounts. The aging of the customer accounts is decreasing the likelihood of the collectability of the account balances.

CAUSE
The City does not have a policy which establishes guidelines for the billing and collection of water and sewerage revenues.

RECOMMENDATION
The City should establish policies and procedures regarding the billing and collection of customer accounts receivable.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. The City of Jeffersonville has entered into an agreement with Peach State Collection Agency to pursue the substantial delinquent accounts payments.

Compliance Findings

2011-18 Budgetary Control – Expenditures Exceeding Appropriations – (36-81-3)

CRITERIA

In order to comply with the applicable legal requirements regarding budgets, procedures must exist to properly monitor compliance with State law. Georgia code (36-81-3) requires an annual balanced budget for the general fund and each special revenue fund.

CONDITION

An annual budget was adopted for the General Fund but the City did not properly monitor the legal level of control (the level at which expenditures may not legally exceed appropriations). The General Fund had expenditures in excess of appropriations as follows:

General Government	$	28,581
Transfer to Water & Sewer		97,486

EFFECT

The City has not complied with budget requirements established by restrictions of policy, regulation, laws, and contracts. OCGA 36-81-3 requires an annual budget for the general fund and each special revenue fund. The General Fund had expenditures in excess of appropriations of $126,067.

CAUSE

The City did not make a supplemental budget adjustment to cover the expenditures that exceeded appropriations.

RECOMMENDATION

Management should evaluate the effectiveness of the annual budget during the year to determine if the City should prepare supplemental budget amendments for the General Fund in future years.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Management agrees with the finding. With the addition to the office of a qualified and motivated new clerk and informed, attentive oversight with regular reporting and evaluations, the City is focused on raising performance standards, increasing revenue collection, and properly monitoring the legal level of control.