CITY OF JEFFERSONVILLE, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

CITY OF JEFFERSONVILLE, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

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CITY OF JEFFERSONVILLE, GEORGIA

ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Except as described in the basis for disclaimer of opinion paragraph, we conducted our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the remaining fund information and the related notes to the financial statements 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.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the matter described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.

Basis for Disclaimer of Opinion

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.

Disclaimer of Opinion

Because of the significance of the matter discussed in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. Accordingly, 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 aggregate remaining fund information.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that 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.

Other 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013, 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.

Macon, Georgia
October 15, 2013

BASIC FINANCIAL STATEMENTS

City of Jeffersonville, Georgia
Statement of Net Position
December 31, 2012

	Primary Government			Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents (Note 3A)	$ 67,667	$ 38,094	$ 105,761	$ 6,112
Certificates of deposit	109,993	-	109,993	-
Receivables:				
Accounts	2,293	18,118	20,411	-
Taxes	94,760	-	94,760	-
Intergovernmental	1,023	-	1,023	-
Interest	1,176	-	1,176	-
Interfund	-	-	-	-
Restricted assets	-	20,423	20,423	-
Total Current Assets	276,912	76,635	353,547	6,112
Noncurrent Assets				
Capital assets (Note 3D)				
Nondepreciable	7,438	410,235	417,673	-
Depreciable, net	85,320	6,500,881	6,586,201	-
Total Noncurrent Assets	92,758	6,911,116	7,003,874	-
Total Assets	369,670	6,987,751	7,357,421	6,112
Liabilities				
Current Liabilities				
Accounts payable	19,650	20,791	40,441	-
Accrued expenses	1,721	-	1,721	-
Compensated absences payable	3,448	69	3,517	-
Customer deposits	-	24,971	24,971	-
Accrued interest	-	8,661	8,661	-
Revenue bonds payable	-	41,037	41,037	-
Total Current Liabilities	24,819	95,529	120,348	-
Long-term Liabilities: (net of current portion) (Note 3F)				
Net pension obligation	7,131	-	7,131	-
GEFA loans payable	-	75,921	75,921	
Revenue bonds payable	-	2,512,945	2,512,945	-
Total Long-term Liabilities	7,131	2,588,866	2,595,997	-
Total Liabilities	31,950	2,684,395	2,716,345	-
Net Position				
Net investment in capital assets (Note 3H)	92,758	4,357,134	4,449,892	-
Restricted for debt service	-	20,423	20,423	-
Unrestricted	244,962	(74,201)	170,761	6,112
Total Net Position	$ 337,720	$ 4,303,356	$ 4,641,076	$ 6,112

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Statement of Activities
For the Year Ended December 31, 2012

Function/Program	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Downtown Development Authority
Primary Government							
Governmental Activities							
General government	$ 346,283	$ 14,769	$ 40,898	$ (290,616)	$ -	$ (290,616)	$ -
Public safety	180,802	17,767	-	(163,035)	-	(163,035)	-
Public works	67,506	34,257	-	(33,249)	-	(33,249)	-
Total Governmental Activities	594,591	66,793	40,898	(486,900)	-	(486,900)	-
Business-type Activities:							
Water and sewerage	622,744	453,023	-	-	(169,721)	(169,721)	-
Total - Primary Government	$ 1,217,335	$ 519,816	$ 40,898	(486,900)	(169,721)	(656,621)	-
Component Unit							
Downtown Development Authority	$ 105	$ -	$ -	-	-	-	(105)
		General Revenues					
		Property taxes levied for general government purposes		144,735	-	144,735	-
		Local option sales tax		164,734	-	164,734	-
		Insurance premium tax		51,564	-	51,564	-
		Franchise tax		62,971	-	62,971	-
		Beer and liquor tax		23,235	-	23,235	-
		Other tax		424	-	424	
		Investment earnings		1,551	99	1,650	25
		Miscellaneous		25,255	-	25,255	-
		Total General Revenues		474,469	99	474,568	25
		Transfers		18,584	(18,584)	-	-
		Change in Net Position		6,153	(188,206)	(182,053)	(80)
		Net Position Beginning of Year		331,567	4,491,562	4,823,129	6,192
		Net Position End of Year		$ 337,720	$ 4,303,356	$ 4,641,076	$ 6,112

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Balance Sheet
Governmental Fund
December 31, 2012

		General
Assets		
Cash and cash equivalents	$	67,667
Certificates of deposits		109,993
Receivables:		
Accounts		2,293
Taxes		94,760
Intergovernmental		1,023
Interest		1,176
Total Assets	$	276,912
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$	19,650
Accrued wages		1,721
Deferred revenue		79,370
Total Liabilities		100,741
Fund Balances		
Unassigned		176,171
Total Liabilities and Fund Balances	$	276,912

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2012

Total Governmental Fund Balances			$ 176,171
Amounts reported for governmental activities in the statement of net position 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	$ 334,775		
Less accumulated depreciation	(242,017)		92,758
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			79,370
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 position.			
Compensated absences	$ (3,448)		
Net pension obligation	(7,131)		(10,579)
Net Position of Governmental Activities			$ 337,720

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, 2012

	General
Revenues	
Taxes	$ 485,749
Licenses and permits	14,769
Intergoverrnmental	40,898
Charges for services	34,257
Fines and forfeitures	17,767
Investment earnings	1,551
Miscellaneous	25,255
Total Revenues	620,246
Expenditures	
Current:	
General government	346,841
Public safety	209,179
Public works	67,506
Total Expenditures	623,526
Excess of Revenues Over/(Under) Expenditures	(3,280)
Other Financing Sources/(Uses):	
Transfer from Other Fund	18,584
Total Other Financing Sources/(Uses)	18,584
Net change in fund balance	15,304
Fund Balances Beginning of Year	160,867
Fund Balances End of Year	$ 176,171

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, 2012

Net Changes In Fund Balances - Total Governmental Funds			$ 15,304
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	$ (16,905)	32,145
	Capital outlay	49,050	
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 @ 12/31/12	$ 79,370	
	Liability @ 12/31/11	(117,456)	(38,086)
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 @ 12/31/12	(7,131)	
	Liability @ 12/31/11	4,570	(2,561)
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 @ 12/31/12	$ (3,448)	
	Liability @ 12/31/11	2,799	(649)
Change In Net Position of Governmental Activities			$ 6,153

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, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
Real and personal property taxes				
General property tax	$ 145,000	$ 145,000	$ 169,722	$ 24,722
Vehicle property tax	12,200	12,200	13,099	899
Total real and personal property taxes	157,200	157,200	182,821	25,621
Selective taxes:				
Sales tax	147,300	147,300	164,734	17,434
Franchise tax	53,000	53,000	62,971	9,971
Beer and liquor tax	24,000	24,000	23,235	(765)
Insurance premium tax	51,500	51,500	51,564	64
Other taxes	-	-	424	424
Total selective taxes	275,800	275,800	302,928	27,128
Licenses and permits:				
Business licenses and permits	11,700	11,700	14,769	3,069
Intergovernmental	41,000	41,000	40,898	(102)
Fines and forfeitures:				
Court fines	21,000	21,000	17,767	(3,233)
Charges for services:				
Garbage collections and other	32,700	32,700	34,257	1,557
Total charges for services	32,700	32,700	34,257	1,557
Miscellaneous:				
Investment earnings	1,000	1,000	1,551	551
Rent	-	-	2,545	2,545
Miscellaneous	1,003	1,003	22,710	21,707
Total miscellaneous	2,003	2,003	26,806	24,803
Total revenues	541,403	541,403	620,246	78,843
Other financing sources:				
Transfer from water and sewerage fund	-	-	-	-
Total revenues	$ 541,403	$ 541,403	$ 620,246	$ 78,843

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, 2012
(Continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures				
Current:				
General government	$ 223,003	$ 223,003	$ 346,841	$ (123,838)
Public safety:				
Police	218,000	218,000	163,707	54,293
Fire	40,900	40,900	45,472	(4,572)
Total public safety	258,900	258,900	209,179	49,721
Public works	25,000	25,000	67,506	(42,506)
Total Current	506,903	506,903	623,526	(116,623)
Total Expenditures	506,903	506,903	623,526	(116,623)
Excess of Revenue Over/(Under) Expenditures	34,500	34,500	(3,280)	(37,780)
Other Financing Sources				
Transfer from Other Funds	-	-	18,584	18,584
Transfer to Other Funds	(34,500)	(34,500)	-	34,500
Total Other Financing Sources	-	-	18,584	53,084
Net Change in Fund Balance	34,500	34,500	15,304	15,304
Fund balance, beginning of year	160,867	160,867	160,867	-
Fund balance, end of year	$ 195,367	$ 195,367	$ 176,171	$ 15,304

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Statement of Net Position
Proprietary Fund - Water and Sewerage Fund
December 31, 2012

Assets		
Current Assets:		
Cash and cash equivalents	$	38,094
Receivables:		
Accounts		18,118
Restricted assets:		
Certificates of deposit		20,188
Accrued interest receivable		235
Total Current Assets		76,635
Noncurrent Assets:		
Capital assets:		
Nondepreciable		410,235
Depreciable, net		6,500,881
Total Noncurrent Assets		6,911,116
Total Assets		6,987,751
Liabilities		
Current Liabilities:		
Accounts payable		20,791
Customer deposits payable		24,971
Compensated absences payable		69
Current liabilities payable from restricted assets		
Revenue bonds payable		41,037
Accrued interest		8,661
Total Current Liabilities		95,529
Long-term Liabilities (net of current portion):		
GEFA loans payable		75,921
Revenue bonds payable		2,512,945
Total Long-term Liabilities		2,588,866
Total Liabilities		2,684,395
Net Position		
Net investment in capital assets		4,357,134
Restricted for debt service		20,423
Unrestricted		(74,201)
Total Net Position	$	4,303,356

See accompanying notes to the basic financial statements

City of Jeffersonville, Georgia
Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Fund - Water and Sewerage Fund
For the Year Ended December 31, 2012

Operating Revenues	
Charges for services	$ 453,023
Total Operating Revenues	453,023
Operating Expenses	
Personal services	61,327
Purchased services	214,862
Materials and supplies	3,442
Depreciation	235,890
Total Operating Expenses	515,521
Operating (Loss)	(62,498)
Non-Operating Revenues (Expenses)	
Interest and fiscal charges	(107,223)
Investment earnings	99
Total Non-Operating Revenues (Expenses)	(107,124)
(Loss) Before Transfers (Out)	(169,622)
Transfers Out	(18,584)
Change in Net Position	(188,206)
Net Position Beginning of Year	4,491,562
Net Position End of Year	$ 4,303,356

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, 2012

Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	$	452,987
Cash payments to employees for services		14,261
Cash payments for goods and services		(221,306)
Net Cash Provided by (Used in) Operating Activities		245,942
Cash Flows from Noncapital Financing Activities		
Interfund payable		-
Transfers in		(18,584)
Net Cash Provided by (Used in) Noncapital Financing Activities		(18,584)
Cash Flows from Capital and Related Financing Activities		
Principal paid on revenue bonds		(61,522)
Acquisition and construction of assets		(76,108)
Interest paid on revenue bonds		(107,450)
Net Cash Provided by (Used in) Capital and Related Financing Activities		(245,080)
Cash Flows from Investing Activities		
Investment earnings		339
Net Increase (Decrease) in Cash and Cash Equivalents		(17,383)
Cash and Cash Equivalents Beginning of Year		75,665
Cash and Cash Equivalents End of Year	$	58,282
Reconciliation to Statement of Net Assets		
Cash and cash equalivalents	$	38,094
Restricted assets		20,188
Total Cash and Cash Equivalents	$	58,282

City of Jeffersonville, Georgia
Statement of Cash Flows
Proprietary Fund - Water and Sewerage Fund
For the Year Ended December 31, 2012
(continued)

Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	$	(62,498)
Adjustments:		
Depreciation		235,890
(Increase) Decrease in Assets:		
Accounts receivable		(2,236)
Increase (Decrease) in Liabilities:		
Accounts payable		(3,002)
Customer deposits		2,200
Compensated absences payable		75,588
Net Cash Provided by (Used in) Operating Activities	$	245,942

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, 2012

Assets	
Cash and cash equivalents	$ 569
Liabilities	
Due to others	$ 569

See accompanying notes to the basic financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Jeffersonville, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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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 position 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 position 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 position 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 position, 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 position. 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 position. The statements of changes in fund net position 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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, 2012.

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 position, 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, 2012, 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 position 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 position and in the enterprise fund's statement of net position.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position amount also is adjusted by any bond issuance deferral amounts. Net position is 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 position is reported as unrestricted.

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

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.

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

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.

2-B. Excess of Expenditures over Appropriations

The following departments had expenditures in excess of departmental appropriations.

General Government	$123,838
Fire Department	4,572
Public Works	42,506

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, 2012, 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.

At December 31, 2012, the City's investments in certificates of deposit were as follows:

Investment	Maturity	Amount
Certificates of deposit – General Fund	12 months	$ 109,993
Certificates of deposit – Water & Sewer Fund	12 months	20,188
		$ 130,181

3-B. Receivables

Receivables at December 31, 2012, 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, 2012, allowances for uncollectibles were reported as follows:

General fund (property taxes)	$120,100
Water and sewerage fund (charges for services)	116,099

Note 3 - Detailed Notes on All Funds (Continued)

3-C. Property Taxes

The City Council levied property taxes December 13, 2011. Property taxes attach as an enforceable lien on property as of January 1, 2011. Property taxes are billed on October 31, 2012 and were payable on December 31, 2012.

3-D. Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2012, was as follows:

	Balance 1/1/2012	Additions	Deductions	Balance 12/31/2012
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 7,438	$ -	$ -	$ 7,438
Other capital assets:				
Buildings and improvements	111,828	6,000	-	117,828
Machinery and equipment	225,197	43,050	58,738	209,509
Total other capital assets	337,025	49,050	58,738	327,337
Total capital assets	344,463	49,050	58,738	334,775
Accumulated depreciation:				
Buildings and improvements	66,501	2,437	-	68,938
Machinery and equipment	217,349	14,468	58,738	173,079
Total accumulated depreciation	283,850	16,905	58,738	242,017
Governmental activities capital assets, net	$ 60,613	$ 32,145	$ -	$ 92,758

Governmental activities depreciation expense:	
General government	$ 2,232
Public safety	14,673
Total governmental activities depreciation expense	$ 16,905

Note 3 - Detailed Notes on All Funds (Continued)

Capital asset activity for business-type activities for the year ended December 31, 2012, was as follows:

	Balance 1/1/2012	Additions	Deductions	Balance 12/31/2012
Water and sewerage fund				
Nondepreciable capital assets				
Land	$ 410,235	$ -	$ -	$ 410,235
Construction in progress	-	76,108	-	76,108
Total nondepreciable capital assets	410,235	76,108	-	486,343
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	76,108	-	10,030,258
Accumulated depreciation:				
Plant and lines	2,780,421	228,724	-	3,009,145
Machinery and equipment	102,831	7,166	-	109,997
Total accumulated depreciation	2,883,252	235,890	-	3,119,142
Water and sewerage fund capital assets, net	$ 7,070,898	$ (159,782)	$ -	$ 6,911,116

Business-type activities depreciation expense:

Water and sewerage	$ 235,890
Total business-type activities depreciation expense	$ 235,890

3-E. Interfund Balances

Interfund Balances –The general fund reported an interfund transfer from the water and sewerage fund in the amount of $18,584 at December 31, 2012. This amount relates to water fund costs paid by the general fund.

Transfers are used to record the allocation of expenses among the various funds, primarily salaries, payroll taxes, insurance, etc.

Note 3 - Detailed Notes on All Funds (Continued)

3-F. Long-Term Debt

Business-type Activities – Revenue Bonds – The City reports two outstanding revenue bond issues at December 31, 2012.

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, 2012 follow:

Year	Principal	Interest	Total
2013	$ 3,000	$ 150	$ 3,150
Total	$ 3,000	$ 150	$ 3,150

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, 2012 follow:

Year	Principal	Interest	Total
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	44,858	97,702	142,560
2018 - 2022	254,218	458,582	712,800
2023 - 2027	312,333	400,467	712,800
2028 - 2032	383,741	329,059	712,800
2033 - 2037	471,479	241,321	712,800
2038 - 2042	579,570	133,230	712,800
2043 - 2045	342,731	18,870	361,601
Total	$ 2,550,982	$ 2,087,419	$ 4,638,401

Notes Payable – During 2012, the City was approved for a loan from Georgia Environmental Facilities Authority (GEFA) to finance the costs of installing new water meters. The amount of the loan as originally approved in October 2012 was $385,000. The installation of the new meters was still in process as of December 31, 2012. The total amount the City drew down on this loan during 2012 was $75,921.

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2012:

	Outstanding 1/1/2012	Additions	Reductions	Outstanding 12/31/2012	Amounts Due in One Year
Governmental Activities:					
Net pension obligation	$ 4,570	$ 2,561	$ -	$ 7,131	$ -
Compensated absences	2,799	3,958	3,309	3,448	3,448
Total Governmental Activities	$ 7,369	$ 6,519	$ 3,309	$ 10,579	$ 3,448
Business-type Activities:					
1974 revenue bonds	$ 28,000	$ -	$ 25,000	$ 3,000	$ 3,000
2005 revenue bonds	2,587,504	-	36,522	2,550,982	38,037
GEFA loan payable	-	75,921	-	75,921	-
Compensated absences	402	605	938	69	69
Total Business-Type Activities	$ 2,615,906	$ 76,526	$ 62,460	$ 2,629,972	$ 41,106

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.

Note 3 - Detailed Notes on All Funds (Continued)

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

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 15.06% of annual covered payroll.

Annual Pension Cost - For 2012, the City's annual pension cost of $16,020 for GMEBS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2012, 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, 2012 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
7/1/2012	$ 328,778	$ 376,443	87.3%	$ 47,665	$ 133,251	35.8%

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

Current Valuation Date	July 1, 2012	July 1, 2011
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	3.50%	3.50%
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
2010	$ 28,084	$ 28,084	100%	$ -
2011	20,189	15,619	77%	4,570
2012	16,020	13,459	84%	7,131

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)

Derivation of Annual Pension Cost:

Annual required contribution	$	16,020
Interest on Net Pension Obligation		-
Amortization of Net Pension Obligation		-
Annual Pension Cost	$	16,020

Derivation of Net Pension Obligation:

Annual Pension Cost for Current Year	$	16,020
Actual Contributions to Plan for Current Year		13,459
Increase/(Decrease) in Net Pension Obligation		2,561
Net Pension Obligation as of December 31, 2011		4,570
Net Pension Obligation as of December 31, 2012	$	7,131

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, 2012. In the opinion of City management, the outcome of these contingencies will not have a material effect on the financial position of the City.

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.

4-D. Subsequent Events

During 2012, the City was approved for a second loan from Georgia Environmental Facilities Authority (GEFA) to finance the repair of a transfer lift station at the water and sewer treatment plant. The amount of the loan as originally approved was $72,000. Construction work on this project did not start until after December 31, 2012 and has been completed subsequently in 2013.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Jeffersonville, Georgia
Required Supplementary Information
For the Fiscal Year Ended December 31, 2012

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, 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%
July 1, 2012	328,778	376,443	47,665	87.3%	133,251	35.8%

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

SUPPLEMENTARY INFORMATION

City of Jeffersonville, Georgia
Municipal Court Agency Fund
Statement of Changes in Assets and Liabilities
For the Year Ended December 31, 2012

	Balance January 1, 2012	Additions	Deductions	Balance December 31, 2012
Assets				
Cash and cash equivalents	$ 1,444	$ 5,011	$ 5,886	$ 569
Liabilities				
Due to others	$ 1,444	$ 5,011	$ 5,886	$ 569

GOVERNMENTAL REPORTS

CLIFTON, LIPFORD, HARDISON & PARKER, LLC

J. Russell Lipford, Jr., CPA
Mark O. Hardison, CPA
Terry I. Parker, CPA
Christopher S. Edwards, CPA
Lynn S. Hudson, CPA
Kevin E. Lipford, CPA

Member of
American Institute of
Certified Public Accountants
Truman W. Clifton (1902-1989)

INDEPENDENT AUDITOR'S 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, in accordance with the 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, 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 15, 2013. 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, 2012.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control 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. 2012-01, 2012-02, 2012-03, 2012-04, 2012-05, 2012-06, 2012-07, 2012-08, 2012-09, and 2012-10.

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 items 2012-11, 2012-12, and 2012-13.

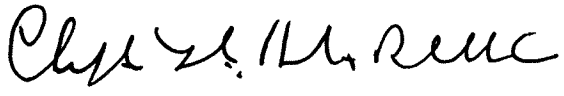
City of Jeffersonville's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macon, Georgia
October 15, 2013



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":

2012-01 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
The City has been unable to maintain timely and accurate accounting records. For the first part of 2012, an external accountant did process accounting records but the records were incomplete and not reconciled to subsidiary records. After year-end, the City hired an outside consultant to prepare the general ledger for 2012. The outside consultant was unable to complete the general ledger in a timely manner which delayed the annual audit.

CONTEXT
The City's general ledgers for 2012 were not available for the external audit until July 2013.

EFFECT
The City did not have timely and accurate financial reports and accounting records for 2012.

CAUSE
The City lacked the technical expertise to properly maintain the accounting records. This issue was amplified by a significant turnover in the City Clerk's position. These conditions resulted in breakdowns in information flow and communications with external parties hired to prepare the accounting records.

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 findings. From January to December 2012, the City was beset by challenges in the office of city clerk. The professional competence and stability, vital to that office, are being restored.

2012-02 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 for the General Fund and the Water and Sewer Fund.

CONTEXT
Material audit adjustments were required to fairly state and classify accounts receivables and revenue for the year ended December 31, 2012. The adjustments are summarized as follows:

General Fund

- Adjustments of $80,780 were necessary to decrease property taxes receivables.
- Adjustments of $33,525 were necessary to decrease deferred property tax revenue.
- An adjustment of $4,561 was necessary to increase revenue for the AGL Franchise Tax payment.
- Adjustments of $6,964 were necessary to increase vehicle property taxes revenue for payments made from the County.
- An adjustment of $34,257 was necessary to record the garbage revenue charges for services in the appropriate fund.
- Adjustments of $17,767 were necessary to record court fines.
- Adjustments of in excess of $88,000 were necessary to properly classify previously unidentified revenues posted to a miscellaneous revenue account..

Water and Sewer Fund

- Adjustments of $119,158 were necessary to increase sewer revenue.
- Adjustments of $85,860 were necessary to decrease water revenue.
- An adjustment of $34,257 was necessary to remove garbage charges for services to the General fund

EFFECT
The City's accounting records contained material errors which were identified and adjusted during the annual audit process.

CAUSE
The City lacked the technical expertise to properly insure the appropriate revenue classification and the accrual of revenues in the proper year. This issue was amplified by a significant turnover in the City Clerk's position. These conditions resulted in breakdowns in information flow and communications with external parties hired to prepare the accounting records.

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. The City should also consider providing additional training for personnel.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Management agrees with the findings. The city water clerk and city clerk have enrolled in and have taken training to improve expertise in recording revenue items in a timely manner.

2012-03 Accounts Payable/Expenditures or Expenses

CRITERIA
In accordance with generally accepted accounting principles, expenditures or 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 expenditures or expenses are recorded in the appropriate fund.

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

CONTEXT
Material audit adjustments were needed to fairly state and classify expenditures or expenses for the year ended December 31, 2012. A summary of the required adjustments is as follows:

- A material adjusting entry of $10,193 was needed to correct the General Fund payroll withholding accounts.
- Material adjustments were necessary to correctly report accounts payable comprised of entries to reverse out prior year payables of $11,907 in the General Fund and $12,285 in the Water & Sewer Fund and to record the current year payables of $11,655 in the General Fund and $17,546 in the Water & Sewer Fund.
- The City has not been consistent in its posting of transactions requiring several reclassifications and correcting entries to properly report activity.

EFFECT
The City's accounting records contained material errors which were identified and adjusted during the annual audit process.

CAUSE
The City lacked the technical expertise to insure the recording and proper classification of incurred expenditures or expenses at the end of the fiscal period. This issue was amplified by a significant turnover in the City Clerk's position. These conditions resulted in breakdowns in information flow and communications with external parties hired to prepare the accounting records..

RECOMMENDATION
The City should establish procedures to insure the proper accrual and classification of all liabilities incurred during the fiscal period. The City should also consider providing additional training to personnel.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the findings. The city clerk will implement adequate accounting procedures, properly recording and classifying entries.

2012-04 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 the accounts during the period July – December 2012. Reconciliations were performed on some of the bank accounts by an external accountant for the period January – June 2012. The City hired an outside consultant after year-end to prepare the remaining bank reconciliations on the accounts.

CONTEXT
Bank reconciliations were not performed on a timely basis for 2012. Three bank accounts were not reconciled prior to the annual audit. A number of old reconciling items noted on the bank reconciliations performed by the external consultant were not cleared by the City in a timely manner. Some of the bank statements were not available or retained by the City for review by others and it was necessary to obtain additional bank statements from the bank after year end.

EFFECT
The failure to reconcile bank accounts on a timely basis resulted in incomplete or inaccurate recording of transactions in the City's financial records for 2012. In addition, failure to timely perform bank reconciliations could increase the likelihood of misappropriation of funds or errors going undetected.

CAUSE
The City lacked the technical expertise to properly prepare the bank reconciliations. This issue was amplified by a significant turnover in the City Clerk's position. These conditions resulted in breakdowns in information flow and communications with external parties hired to prepare the accounting records.

RECOMMENDATION
We recommend that the bank accounts be reconciled on a timely basis each month. The City also needs to develop controls and procedures to ensure that all bank statements and supporting records are maintained and filed appropriately for review by others.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the findings. The 2012 period was rife with upheaval. Professional competence and stability have been restored. Standard accounting practices will begin immediately.

2012-05 Bank Accounts

CRITERIA
All bank account activity should be recorded into the general ledger system.

CONDITION
The City did not record the 2012 activity for three bank accounts in the Water and Sewer Fund and one bank account in the General Fund.

CONTEXT
Audit adjustments were required as follows:

General Fund
Adjustments of $1,045 were necessary to decrease the balance for the Community Service bank account which had been closed in June 2012.

Water and Sewer Fund

- Material audit adjustments of $58,075 were necessary to decrease the balance for the Bond Reserve Bank Account.
- Adjustments of $1,250 were necessary to increase the balance for the Initial Connection bank account.
- Material audit adjustments of $75,921 and $76,108 were needed to record the drawdowns and expenses associated with the GEFA loans obtained by the City during 2012.

EFFECT
The City produced financial records which were incomplete and contained material errors .

CAUSE
The City failed to provide to provide the external accountants with bank statements and other supporting records to properly record the transactions. In addition, the City did not have certain bank statements available for review by others. The statements for the new GEFA bank account opened in November 2012 were not available to the external auditors until September 30, 2013.

RECOMMENDATION
We recommend that the City develop procedures and retention polices to secure monthly bank statements for review by others. The City's financial reporting system should be designed to capture and summarize daily transactions and facilitate general ledger entries.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the findings. Professional competence, stability, and standard accounting practices are being restored.

2012-06 Bank Deposit Books and Records

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
The City did not properly complete and maintain bank deposit books and the underlying detail support to enable the contracted external parties to accurately and completely classify revenues. The preparation of daily deposits books and underlying supporting revenue identification records was inadequate. In addition, some deposit books could not be located for testing.

CONTEXT
The external parties that were contracted with by the City to prepare the accounting records were unable to properly classify in excess of $151,000 of the revenues deposited by the City. Unidentified deposits were posted to a miscellaneous revenue account. Material audit adjustments in excess of $139,000 were necessary to correct the posting of revenue.

EFFECT
The City's accounting records contained material error which were identified and adjusted during the annual audit process. Some revenue deposits were never identified. Missing accounting records such as deposits and supporting records while typically are indicative of general disorganization, could be a flag of a much more serious issue such as potential fraud or abuse.

CAUSE
The City failed to prepare and maintain bank deposit books and the underlying detail support for processing and testing by others. This issue was amplified by a significant turnover in the City Clerk's position. These conditions resulted in breakdowns in information flow and communications with external parties hired to prepare the accounting records.

RECOMMENDATION
We recommend that the City establish procedures and controls in the current year to ensure that bank deposit records are completed 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 findings. From January to December 2012, the City was beset by challenges in the office of city clerk. Two clerks held that office with a protracted transition period. The professional competence and stability, vital to that office, are being restored.

2012-07 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.

CONTEXT
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 adequately maintained to assist in the reconciliation process. Subsidiary records were not maintained and reconciled causing accounting records and financial reports to be unreliable.

EFFECT
The City was not able to provide the external auditors with a complete and accurate unpaid property tax reports. 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 findings. The City Clerk has posted payments, is maintaining records in a timely manner and, pending collection, has prepared and delivered Fi. Fa. documents.

2012-08 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, 2012. 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.

CONTEXT
City employees lacked adequate training on the proper handling of 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. . 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 findings. The city water clerk will enroll in courses pertinent to management and reconciling the customer deposit subsidiary records to the bank account. The city water clerk and city clerk will maintain supporting documentation for customer deposits.

2012-09 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.

CONTEXT
As of December 31, 2012, the City had a large number of accounts that are past due representing a large portion 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 findings. The city water clerk has implemented a policy of pursuing collection of past-due and inactive customer account balances. A consistent disconnect policy is in full force.

2012-10 Capital Assets

CRITERIA
Accounting and control procedures should be designed to insure that capital asset activity is recorded, and reported for the government-wide and business-type activities financial statements. Capital asset records must be supported by detailed records that include location, department, cost, estimated useful life, depreciation and other detail supporting documents.

CONDITION
The City has not adequately maintained capital asset records for the government-wide and business-type activities.

CONTEXT
Material audit adjustments were required to record current year activity and to record depreciation of $58,738 and $235,890 for the governmental activities and Water and Sewerage Fund respectively.

EFFECT
The City was not able to provide the external auditors with complete and accurate capital asset records and depreciation schedules.

CAUSE
In prior years, the City relied on an external accountant to maintain capital asset records and depreciation schedules.

RECOMMENDATION
We recommend that the City contract with an external accountant to maintain the capital asset records and depreciation schedules for 2013. We further recommend that the City provide additional training for employees as needed for capital asset accounting.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the findings. The city clerk is remediating and maintaining capital asset records for government-wide and business-type activities.

Compliance Findings

2012-11 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).

CONTEXT
The General Fund had expenditures in excess of appropriations as follows:

General Government	$	123,838
Fire Department		4,572
Public Works		42,506

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 $170,916.

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 findings. Greater than anticipated challenges precipitated this breach. Management will work to identify and curtail discretionary spending.

2012-12 Debt Service Coverage

CRITERIA
The City is required to maintain debt service coverage relative to the revenue bonds issued as defined in the 2005 Revenue Bond document.

CONDITION
The City's debt service coverage was 1.19 for 2012 which is less than the required debt service coverage per the revenue bond document.

CONTEXT
The revenue bond document requires the debt service coverage to equal at least 1.20 of the maximum debt service due in the future year.

EFFECT
The City was not in compliance with the requirements of the 2005 Revenue Bond.

CAUSE
Revenues were not adequate to cover operating expenses to satisfy bond covenant requirements.

RECOMMENDATION
We recommend that management review the current rate schedules and expenses for possible needed changes to meet future debt service ratios.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the findings. The City will monitor and strengthen its required debt service coverage.

2012-13 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 2010 W-2s and W-3 reports were not timely filed with the Social Security Administration.

CONTEXT
The 2010 payroll reports were submitted to the Social Security Administration in August 2013.

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. The required payroll reports have now been filed with the Social Security Administration and the City has requested abatement of the penalties and interest.

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

RECOMMENDATION
Management contracted with a payroll service in early 2012 to handle the payroll responsibilities for 2012. We recommend that the City continue to utilize a payroll service for future years.

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