CITY OF MT. ZION, GEORGIA

Financial Statements and Supplementary Information
For the Year Ended September 30, 2007

And

Independent Auditor's Report

City of Mt. Zion, Georgia
Annual Financial Report
For the Year Ended September 30, 2007

	Page
INTRODUCTORY SECTION	
City Officials	3
FINANCIAL SECTION	
Independent Auditor's Report	4
Required Supplementary Information:	
Management's Discussion and Analysis	6
Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Statement of Net Assets – Water and Garbage Fund	16
Statement of Revenue, Expenses and Changes in Net Assets – Water and Garbage Fund	17
Statement of Cash Flows – Water & Garbage Fund	18
Notes to Financial Statements	19
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund	35
OTHER SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – Water and Garbage Fund	39
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds	40
Schedule of CDBG Project Cost	41
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*	42
Schedule of Findings and Responses	44

City of Mt Zion, Georgia
City Officials
September 30, 2007

Elected Officials

Ms. Sue Bloodworth	Mayor
Ms. Jane Cammons	Councilwoman
Mr. Donald Newman	Councilman
Mr. Jay Sims	Councilman
Ms. Kathy Albright	Councilwoman

Independent Auditor's Report

Mayor and Council
City of Mt. Zion
Mt. Zion, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Mt. Zion, Georgia, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the City of Mt. Zion, Georgia, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated May 1, 2008, on our consideration of the City of Mt. Zion, Georgia's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering the results of our audit.

Mayor and Council
City of Mt. Zion

The required supplementary information, which includes management's discussion and analysis and budgetary information on pages 6 through 10 and 35 through 38 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mt. Zion's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

May 1, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Mt. Zion, Georgia
Management's Discussion and Analysis
September 30, 2007

Our discussion and analysis of the City of Mt. Zion's financial performance provides an overview of the City's financial activities for the year ended September 30, 2007. Please read it in conjunction with the City's financial statements, which begin on page 11.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets.* This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities with the difference reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and user charges from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, streets, recreation and culture. Business-type activities include the water system and garbage collection.

The City's financial reporting includes the funds of the City. Currently, the City has no component units.

The government-wide financial statements are presented on pages 11 and 12 of this report.

Fund Financial Statements

A fund is an accountable unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Currently, all of the City's funds are major.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 13 to 15 of this report.

Proprietary funds are reported in the fund financial statements the same way the business-type activities are reported in the Statement of Net Assets and the Statement of Activities. The basic proprietary fund financial statements are presented on pages 16 to 18 of this report.

Notes to the basic financial statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements are on pages 19 to 34 of this report.

Financial Analysis of the City as a Whole

The City's net assets at year-end are $2,308,082. This is a $222,665 increase from last year's net assets of $2,085,417. This includes $2,118,750 invested in capital assets, net of related debt.

The following table provides a summary of the City's net assets.

Summary of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Cash	$ 61,121	$ 77,324	$ 71,388	$ 62,780	$ 132,509	$ 140,104
Receivables, net	107,890	164,999	38,084	40,324	145,974	205,323
Capital assets, net	1,836,895	1,575,529	449,594	476,971	2,286,489	2,052,500
Inventory	00	00	10,749	11,866	10,749	11,866
Prepaid expenses	1,772	6,443	740	00	2,512	6,443
Internal balances	(24,376)	(24,376)	24,376	24,376	00	00
Total assets	1,983,302	1,799,919	594,931	616,317	2,578,233	2,416,236
Current liabilities	70,394	122,817	75,191	64,248	145,585	187,065
Long-term liabilities	124,566	119,186	00	24,568	124,566	143,754
	194,960	242,003	75,191	88,816	270,151	330,819
Net assets:						
Invested in capital assets, net of related debt	1,683,478	1,405,742	435,272	449,436	2,118,750	1,855,178
Unrestricted	104,864	152,174	84,468	78,065	189,332	230,239
Total net assets	$ 1,788,342	$ 1,557,916	$ 519,740	$ 527,501	$ 2,308,082	$ 2,085,417

The following table provides a summary of changes in net assets.

Summary of Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for service	$ 117,702	$ 123,121	$ 251,489	$ 251,885	$ 369,191	$ 375,006
Operating grants	00	11,250	00	00	00	11,250
Capital grants	138,721	367,040	00	00	138,721	367,040
General revenues:						
Sales	358,491	329,971	00	00	358,491	329,971
Insurance premium taxes	66,810	63,856	00	00	66,810	63,856
Other taxes and misc.	136,340	123,642	00	00	136,340	123,642
Total revenues	818,064	1,018,880	251,489	251,885	1,069,553	1,270,765
Expenses:						
General government	200,726	170,659			200,726	170,659
Public safety	230,181	230,981			230,181	230,981
Highways and streets	31,426	22,339			31,426	22,339
Recreation and culture	87,734	94,982			87,734	94,982
Interest	6,765	11,031			6,765	11,031
Total	556,832	529,992				
Water			248,487	216,116	248,487	216,116
Garbage			41,569	36,687	41,569	36,687
Total			290,056	252,803		
Total expenses					846,888	782,795
Increase (decrease) in net assets before transfers	261,232	488,888	(38,567)	(918)	222,665	487,970
Transfers	(30,806)	(11,091)	30,806	11,091	00	00
Change in net assets	230,426	477,797	(7,761)	10,173	222,665	487,970
Beginning net assets	1,557,916	1,080,119	527,501	517,328	2,085,417	1,597,447
Ending net assets	$ 1,788,342	$ 1,557,916	$ 519,740	$ 527,501	$ 2,308,082	$ 2,085,417

Financial Analysis of the City's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of $104,864. The total ending fund balances of governmental funds show a decrease of $47,310 over the prior year.

The Major Governmental Funds

The General Fund is the City's primary operating fund. The fund balance of the General Fund decreased by $37,096 to $115,057.

The SPLOST Fund is used to account for resources restricted for the acquisition or construction of specific capital projects from the Special Purpose Local Option Sales Tax. The fund balance of the SPLOST Fund decreased by $10,214 to $(10,193).

The CDBG Fund was created this year to account for revenues and expenditures of the Community Development Block Grant Fund. The fund balance at September 30, 2007 was $00.

Proprietary funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long- term information about financial status.

The Major Proprietary Fund

The water and garbage system provides services to both residential and commercial customers.

General Fund Budgetary Highlights

The original budget was approved by the Council with budgeted expenditures in the amount of $459,962. No amendments were made.

Capital Assets

At the end of year 2007, the City had $2,286,489 invested in a broad range of capital assets including buildings, recreation facilities, and water infrastructure.

More detailed information about the City's capital assets is presented in Note 5 to the basic financial statements.

Debt

At the end of year 2007, the City had notes payable totaling $124,110 and a capital lease payable in the amount of $43,629. More detailed information about the City's debt is presented in notes 6 and 7.

City of Mt. Zion, Georgia
Statement of Net Assets
September 30, 2007

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash	$ 61,121	$ 71,388	$ 132,509
Receivables, net	107,890	38,084	145,974
Inventory	00	10,749	10,749
Capital assets (non-depreciable)	167,630	00	167,630
Capital assets (depreciable), net	1,669,265	449,594	2,118,859
Prepaid expenses	1,772	740	2,512
Internal balances	(24,376)	24,376	00
Total assets	1,983,302	594,931	2,578,233
Liabilities:			
Accounts payable	17,394	16,497	33,891
Payroll taxes payable	2,930	00	2,930
Customer deposits	00	44,372	44,372
Deferred revenue – SPLOST	21,219	00	21,219
Capital leases payable - current	20,084	00	20,084
Capital leases payable – non-current	23,545	00	23,545
Note payable - current	8,767	14,322	23,089
Note payable – noncurrent	101,021	00	101,021
Total liabilities	194,960	75,191	270,151
Net assets:			
Invested in capital assets, net of related debt	1,683,478	435,272	2,118,750
Unrestricted	104,864	84,468	189,332
Total net assets	$ 1,788,342	$ 519,740	$ 2,308,082

See accompanying notes to financial statements.

City of Mt. Zion, Georgia
Statement of Activities
For the Year Ended September 30, 2007

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expenses) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities	Net (Expenses) Revenue and Changes in Net Assets: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 200,726	$ 11,490	$ 00	$ 00	$ (189,236)	$ 00	$ (189,236)
Public safety	230,181	54,005	00	00	(176,176)	00	(176,176)
Highways and streets	31,426	00	00	00	(31,426)	00	(31,426)
Recreation and culture	87,734	52,207	00	138,721	103,194	00	103,194
Interest on long-term debt	6,765	00	00	00	(6,765)	00	(6,765)
Total governmental activities	556,832	117,702	00	138,721	(300,409)	00	(300,409)
Business-type activities:							
Water	248,487	197,411	00	00	00	(51,076)	(51,076)
Garbage	41,569	54,078	00	00	00	12,509	12,509
Total business-type activities	290,056	251,489	00	00	00	(38,567)	(38,567)
Total primary government	$ 846,888	$ 369,191	$ 00	$ 138,721	(300,409)	(38,567)	(338,976)
General revenues:							
Taxes:							
Property taxes					80,878	00	80,878
Insurance premium taxes					66,810	00	66,810
Franchise public service taxes					36,139	00	36,139
Sales taxes					358,491	00	358,491
Interest and investment earnings					1,506	00	1,506
Miscellaneous					17,817	00	17,817
Total general revenues					561,641	00	561,641
Transfers					(30,806)	30,806	00
Total general revenues and transfers					530,835	30,806	561,641
Change in net assets					230,426	(7,761)	222,665
Net assets-beginning					1,557,916	527,501	2,085,417
Net assets-ending					$ 1,788,342	$ 519,740	$ 2,308,082

See accompanying notes to financial statements.

City of Mt. Zion, Georgia
Balance Sheet
Governmental Funds
September 30, 2007

	General Fund	SPLOST Fund	CDBG Fund	Total Governmental Funds
Assets				
Cash and equivalents	$ 55,917	$ 4,273	$ 931	$ 61,121
Receivables, net	86,671	00	00	86,671
Prepaid expenses	1,772	00	00	1,772
Receivables from other governments	00	21,219	00	21,219
Due from other funds	931	00	00	931
Total assets	$ 145,291	$ 25,492	$ 931	$ 171,714
Liabilities				
Accounts payable	$ 2,928	$ 14,466	$ 00	$ 17,394
Payroll taxes payable	2,930	00	00	2,930
Due to other funds	24,376	00	931	25,307
Deferred revenue – SPLOST	00	21,219	00	21,219
Due to other governments	00	00	00	00
Total liabilities	30,234	35,685	931	66,850
Fund Balances				
Unreserved				
CDBG fund	00	00	00	00
General fund	115,057	00	00	115,057
Capital projects fund	00	(10,193)	00	(10,193)
Total fund balances	115,057	(10,193)	00	104,864
Total liabilities and fund balances	$ 145,291	$ 25,492	$ 931	
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds				1,836,895
Capital leases payable and note payable are not due and payable in the current period and therefore are not reported in the funds				(153,417)
Net assets of governmental activities				$ 1,788,342

See accompanying notes to financial statements.

City of Mt Zion, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2007

	General Fund	SPLOST Fund	CDBG Fund	Total Governmental Funds
Revenues				
Taxes	$ 315,289	$ 00	$ 00	$ 315,289
Interest	1,506	00	00	1,506
Miscellaneous	17,817	00	00	17,817
Intergovernmental	00	227,029	138,721	365,750
Recreation	52,207	00	00	52,207
Fines and forfeitures	54,005	00	00	54,005
Licenses and permits	2,934	00	00	2,934
Post office lease	8,556	00	00	8,556
Total revenues	452,314	227,029	138,721	818,064
Expenditures				
Current operating:				
General government	158,700	12,511	00	171,211
Public safety	208,447	761	00	209,208
Recreation and culture	61,300	10,877	00	72,177
Highways and streets	2,649	13,387	00	16,036
Debt service:				
Principal	49,735	13,265	00	63,000
Interest	6,765	00	00	6,765
Capital outlay	27,584	176,496	138,721	342,801
Total expenditures	515,180	227,297	138,721	881,198
Excess (deficit) of revenues over expenditures	(62,866)	(268)	00	(63,134)
Other financing sources:				
Transfers in (out)	25,770	(56,576)	00	(30,806)
Capital lease	00	46,630	00	46,630
Total other financing sources	25,770	(9,946)	00	15,824
Net change in fund balance	(37,096)	(10,214)	00	(47,310)
Fund balances - beginning	152,153	21	00	152,174
Fund balances - ending	$ 115,057	$ (10,193)	$ 00	$ 104,864

See accompanying notes to financial statements.

City of Mt. Zion, Georgia
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2007

Net changes in fund balances – total governmental funds		$ (47,310)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate these expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital outlays	$ 342,801	
Depreciation	81,435	261,366
Repayment of capital lease and note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		63,000
Governmental funds report proceeds from loans as other financing sources, which increases fund balance, while governmental activities report loan proceeds as a liability. This is the amount of loan proceeds for the current period.		(46,630)
Change in net assets of governmental activities		$ 230,426

See accompanying notes to financial statements.

City of Mt. Zion, Georgia
Statement of Net Assets
Water and Garbage Fund
September 30, 2007

Assets	Water & Garbage
Current assets:	
Cash	$ 71,388
Accounts receivable (net of allowance)	38,084
Inventory	10,749
Prepaid expense	740
Total current assets	120,961
Capital assets:	
Property, plant and equipment	976,097
Accumulated depreciation	(526,503)
Total capital assets	449,594
Other assets (noncurrent):	
Due from other funds	24,376
Total other assets (noncurrent)	24,376
Total assets	$ 594,931
Liabilities	
Current liabilities:	
Note payable – backhoe	$ 14,322
Accounts payable	16,497
Customer deposits	44,372
Total current liabilities	75,191
Total liabilities	75,191
Net Assets	
Invested in capital assets, net of related debt	435,272
Unrestricted	84,468
Total net assets	519,740
Total liabilities and net assets	$ 594,931

See accompanying notes to financial statements.

City of Mt. Zion, Georgia
Statement of Revenue, Expenses and Changes in Net Assets
Water and Garbage Fund
For the Year Ended September 30, 2007

	Water & Garbage
Operating revenue:	
Charges for services	$ 251,489
Operating expenses:	
Salaries	53,589
Payroll taxes	3,982
Employee benefits	9,887
Vehicle and fuel expense	5,509
Depreciation	27,377
Repairs and maintenance	3,672
Office supplies and postage	4,101
Water purchases	93,356
Garbage fees	41,569
Supplies and meters	9,212
Professional fees	7,560
Insurance	12,967
Administration fee	10,000
Miscellaneous	5,688
Total operating expenses	288,469
Operating loss	(36,980)
Non-operating expenses:	
Interest expense	(1,587)
Total non-operating expenses	(1,587)
Loss before transfers	(38,567)
Transfers in, net	30,806
Change in net assets	(7,761)
Net assets beginning of year	527,501
Net assets end of year	$ 519,740

See accompanying notes to financial statements.

City of Mt. Zion, Georgia
Statement of Cash Flows
Water and Garbage Fund
For the Year Ended September 30, 2007

	Water & Garbage
Cash flows from operating activities:	
Receipts from customers	$ 256,869
Payments for suppliers	(210,678)
Payments to employees	(53,589)
Net cash used by operating activities	(7,398)
Cash flows from noncapital financing activities:	
Transfers from other funds, net	30,806
Net cash provided by noncapital financing activities	30,806
Cash flows from capital and related financing activities:	
Principal paid on loans	(13,213)
Interest paid on capital debt	(1,587)
Net cash used by capital and related financing activities	(14,800)
Net increase in cash and cash equivalents	8,608
Balances – beginning of year	62,780
Balances – end of year	$ 71,388
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	$ (36,980)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	27,377
Change in assets and liabilities:	
Receivables, net	2,240
Inventory	1,118
Prepaid expense	(740)
Customer deposits	3,140
Accounts payable	(3,553)
Net cash used by operating activities	$ (7,398)

See accompanying notes to financial statements.

Note 1. Summary of Significant Accounting Policies

The City of Mt. Zion, Georgia (the "City"), operates under a mayor and council/manager form of government and provides the following services: public safety, streets, library and recreation, public utilities, and general administrative services.

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government:	City of Mt. Zion

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists. Currently, the City has no component units.

1.B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Note 1. Summary of Significant Accounting Policies - continued

1.B. Basis of Presentation - continued

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. If applicable, funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

SPLOST Fund

The SPLOST Fund is used to account for resources restricted for the acquisition or construction of specific capital projects from the Special Purpose Local Option Sales Tax. This fund is a major fund.

CDBG Fund

The CDBG Fund is used to account for revenues and expenditures of the Community Development Block Grant funds. This fund is a major fund.

Proprietary Fund

Water and Garbage Fund

The Water and Garbage Fund is used to account for revenue and expenses in providing water and garbage services to the public. This fund is a major fund.

Note 1. Summary of Significant Accounting Policies - continued

1.C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Note 1. Summary of Significant Accounting Policies - continued

1.D. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund Receivable and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." These amounts are eliminated in the governmental and business-type activities columns of the net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes and police fines. Business-type activities report utilities revenue as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax and police fines since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Note 1. Summary of Significant Accounting Policies - continued

1.D. Assets, Liabilities, and Equity - continued

Capital Assets - continued

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The City maintains a capitalization threshold of $5,000.

GABS No. 34 requires the City to report and depreciate new infrastructure assets constructed after October 1, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The City is a Phase 3 entity and is not required to record infrastructure from years prior to implementation to the reporting model.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings & improvements	15-50 years
- Vehicles, machinery and equipment	5-10 years
- Water distribution system	40 years
- Land improvements	10 years
- Infrastructure	50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2007, are recorded as prepaid items using the consumption method by recording an asset for the prepaid account and reflecting the expenditure/expense in the year in which services are consumed.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Note 1. Summary of Significant Accounting Policies - continued

1.D. Assets, Liabilities, and Equity - continued

Long-term Debt – continued

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City encourages employees to take their vacations annually, and sick pay is not paid on termination. Therefore, no accrual of compensated absences has been made.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in two components:

a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Note 1. Summary of Significant Accounting Policies - continued

1.E. Revenues, Expenditures and Expenses

Program Revenues

Program revenues include charges paid by the recipients of the goods or services offered by the programs, grants and contributions that are restricted to meeting the operational capital requirements of a particular program.

Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. Other revenues and expenses are classified as non-operating in the financial statements.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay
Proprietary Fund – By Operating and Nonoperating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Note 1. Summary of Significant Accounting Policies - continued

1.F. Estimates

The preparation of the financial statements in conformity with accounting principals 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. Deposits with Financial Institutions

The City's deposits at year end were entirely covered by federal depository insurance or by collateral held by the financial institutions in the City's name.

Note 3. Property Taxes

The City levies property taxes based on property values as of January 1 of each year. Taxes were levied on November 15, 2006, and were due January 15, 2007.

Note 4. Due From and Due to Other Funds

Individual fund interfund receivable and payable balances at September 30, 2007, were:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ 931	$ 24,376
Water and Garbage Fund	24,376	00
Capital Projects Fund	00	931
	$ 25,307	$ 25,307

These interfund balances result from a loan made by the water fund to the general fund in a previous year to help with the cost of building the post office.

Note 5. Capital Assets

Capital assets activity for the year ended September 30, 2007 was as follows:

	Balance at Oct 1, 2006	Additions	Disposals	Balance at Sept. 30, 2007
Governmental activities:				
Non-depreciable:				
Land	$ 167,630	$ 00	$ 00	$ 167,630
Construction in progress	358,787	00	358,787	00
	$ 526,417	$ 00	$ 358,787	$ 167,630
Depreciable:				
Land improvements	$ 58,904	$ 103,300	$ 00	$ 162,204
Buildings and improvements	490,624	525,092	00	1,015,716
Machinery and equipment	127,223	13,590	00	140,813
Vehicles	102,793	59,606	00	162,399
Infrastructure	728,863	00	00	728,863
Total depreciable	1,508,407	701,588	00	2,209,995
Less accumulated depreciation:				
Land improvements	30,252	7,436	00	37,688
Buildings and improvements	235,378	26,121	00	261,499
Machinery and equipment	100,951	12,679	00	113,630
Vehicles	64,404	19,809	00	84,213
Infrastructure	28,310	15,390	00	43,700
Total accumulated depreciation	459,295	81,435	00	540,730
Governmental activities capital assets (depreciable), net	$ 1,049,112	$ 620,153	$ 00	$ 1,669,265
Business-type activities:				
Water system and tower	$ 853,209	$ 00	$ 00	$ 853,209
Equipment	96,857	00	00	96,857
Vehicles	26,031	00	00	26,031
	976,097	00	00	976,097
Less accumulated depreciation:				
Water system and tower	417,843	15,688	00	433,531
Equipment	75,996	6,483	00	82,479
Vehicles	5,287	5,206	00	10,493
Total accumulated depreciation	499,126	27,377	00	526,503
Business-type capital assets, net	$ 476,971	$ (27,377)	$ 00	$ 449,594

Depreciation was charged to governmental activities as follows:

General government	$ 29,515
Public Safety	20,973
Recreation and culture	15,557
Infrastructure	15,390
Total	$ 81,435

Note 6. Long-Term Debt – Water and Garbage Fund

During the year ended September 30, 2007, the following changes occurred in the water and garbage fund:

	Balance September 30, 2006	Additions	Reductions	Balance September 30, 2007	Amount Due Within 1 year
Note payable	$ 27,535	$ 00	$ 13,213	$ 14,322	$ 14,322

The City has a secured note payable to a local bank with a balance of $14,322 at September 30, 2007, due with an interest rate of 5.7% maturing on December 23, 2007 and collateral of one New Holland backhoe.

The following is a summary of the debt service requirements:

	Principal	Interest
FYE 9-30-08	$ 14,322	$ 188

Note 7. Long-Term Debt – Governmental Activities

During the year ended September 30, 2007, the following changes occurred in the governmental activities:

	Balance September 30, 2006	Additions	Reductions	Balance September 30, 2007	Amount Due Within 1 year
Capital leases	$ 20,871	$ 46,630	$ 23,872	$ 43,629	$ 20,084
Notes payable	148,916	00	39,128	109,788	23,089
	$ 169,787	$ 46,630	$ 63,000	$ 153,417	$ 43,173

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of police cars and a copier. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the general fixed assets account group.

In a past year, the City entered into a lease agreement with Ford Motor Credit Company to purchase two new police vehicles, dated January 10, 2005. The gross amount recorded for the police vehicles was $39,700. Under the terms of the lease, the City is required to make four annual lease payments of $10,823 beginning in January 2005 and ending in January 2008, consisting of principal and interest at a rate of 5.45%.

Note 7. Long-Term Debt – Government Activities – continued

In a current year, the City entered into a lease agreement with Brannen Motor Company to purchase two new police vehicles, dated May 23, 2007. The gross amount recorded for the police vehicles was $46,630. Under the terms of the lease, the City is required to make four annual lease payments of $13,265.18 beginning June 5, 2007 and ending in May, 2010, consisting of principal and interest at a rate of 9.36%.

The City's obligation to pay such lease payments is conditioned on the annual appropriation of funds to make these payments by the City Council and actual lease terms extend no longer than one year.

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2007, are as follows:

September 30, 2008	$ 24,088
September 30, 2009	13,265
September 30, 2010	13,265
Minimum lease payment for all capital leases	50,618
Less amount representing interest	(6,989)
Present value of minimum lease payments	$ 43,629

Notes Payable

During the year ended September 30, 2003, the City purchased land financed in part by a note payable to a local bank. The original amount of the note payable was $140,150. The note is payable in 35 monthly installments of $1125, including interest at 5.12%. The final payment of the entire unpaid balance of principal and interest will be due February 27, 2009. The note is secured by the land which was purchased. The following is a summary of the debt service requirements:

	Principal	Interest	Total
FYE 9-30-08	$ 8,767	$ 5,860	$ 14,627
9-30-09	101,021	4,967	105,988
	$ 109,788	$ 10,827	$ 120,615

Note 8. Interfund Transfers

Interfund transfers for the year ended September 30, 2007, were as follows:

	Transfer to		
Transfer from:	General Fund	Water & Garbage Fund	Total
General Fund	$ 00	$ 17,887	$ 17,887
SPLOST Fund	43,657	12,919	56,576
	$ 43,657	$ 30,806	$ 74,463

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in order for in other funds in accordance with budgetary authorizations.

Note 9. Budget Overages

The general fund expenditures exceeded budgeted appropriations by $55,218. The following department's expenditures exceeded its budgeted appropriations by more than three percent.

General government	$ 16,348
Debt Service	56,500

The Water Fund's operating expenses exceeded budgeted operating expenses by $46,811.

Note 10. Retirement Plan

Plan Description

The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for cities in the State of Georgia. This is a defined benefit pension plan. This plan has a stand-alone financial report which may be obtained by writing Georgia Municipal Association, Inc. at 201 Pryor Street, SW, Atlanta, Georgia 30303. The City's payroll for employees participating in the Plan for the year ended July 1, 2007, was $201,625.

All full-time City employees with one year of service are eligible to participate in the system. Benefits vest after 5 years of credited service. City employees can retire at or after age 65 with five years of credited service or after age 55 with 10 years of credited service. There is no maximum employee entry age. The benefit formula is 1.5% of annual salary based on year of birth of the employee. An extra credit is earned for years of service. The system also provides death and disability benefits. These benefit provisions and all other requirements are established by the Georgia Municipal Employees Benefit System and the adoption agreement executed by the City.

Note 10. Retirement Plan - continued

City employees are not required to contribute to the Plan, rather the City contributed the amount necessary to fund the system, using the actuarial basis specified by the adoption agreement.

As of July 1, 2007, the current plan membership includes the following categories of participants:

Retirees and beneficiaries currently receiving benefits	0
Terminated employees entitled to benefits but not yet receiving them	1
Current active employees:	
Vested	4
Nonvested	4
Total membership in the plan	9

Plan Asset Matters and Accounting Policies

Asset Data: The Georgia Municipal Employees Benefit System has supplied all asset data used in the valuation. The market value is based on information provided by GMEBS as of two months preceding the valuation date of July 1, 2007.

Participant Data: The primary source of participant data for the current valuation is a census of all participants which was prepared as of July 1, 2007, supplied by the City through GMEBS.

The System assets do not include any loans, notes, or bonds or other instruments or securities of the City or related parties.

Funding Status and Progress

The amount shown as the "actuarial accrued liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the Plan.

The "actuarial accrued liability" was computed as part of an actuarial valuation performed as of July 1, 2007. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8 percent a year, (b) projected salary increases of 5 percent a year attributable to inflation, (c) additional projected salary increases of ½ percent a year attributable to merit or seniority, and (d) no post-retirement benefit increases.

Note 10. Retirement Plan – continued

Actuarially Determined Contribution Requirements and Contribution Made

The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. These contributions are determined under the projected unit credit actuarial cost method. The period, and related method, for amortizing the unfunded actuarial accrued liability is 30 years from 2000, and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

The significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the pension benefit obligation as described above.

Contributions to the plan for 2007 of $7,611 are made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2007. The City contributes the entire amount (3.77 percent of covered payroll).

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information is presented below:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	(c) Annual Covered Payroll	UAAL as a Percentage of Covered Payroll [(b - a)/ c]
7/01/03	$ 11,471	$ 17,551	$ 6,080	65.4%	$ 253,913	2.4%
7/01/04	18,866	23,738	4,872	79.5%	191,153	2.6%
7/01/05	28,425	33,759	5,334	84.2%	200,417	2.7%
7/01/06	38,474	41,089	2,615	93.6%	195,600	1.3%
7/01/07	49,983	38,919	(11,064)	128.4%	201,625	0.0%

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
7/01/03	$ 9,289	100%	0
7/01/04	8,026	100%	0
7/01/05	8,752	100%	0
7/01/06	9,405	100%	0
7/01/07	7,611	100%	0

Note 11. Contingencies

There are no pending claims or litigation against the City of Mt. Zion of which city officials are aware.

Note 12. Risk Management

The City's business activity is primarily with residents located within the city limits. The receivables for taxes, water, etc. concentrated in this area have recourse of attaching liens and discontinuing services to lessen the credit risk.

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The government has a limited risk management program for workers compensation which it pays premiums to GMA Self Insurance Program. These premiums are used to pay claims. Liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. There were no claims in excess of available premiums, thus no unpaid claims are reported. If there were any, they would be reported in the general long-term debt group.

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities – GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions any member of GIRMA against liability or loss.

The City of Mt. Zion participates at all times in at least one fund which is established by GIRMA. Other responsibilities of the City are as follows:

To pay all contributions, assessments or other sums due to GIRMA at such times and in such amounts as shall be established by GIRMA.

To select a person to serve as a Member representative.

To allow GIRMA and its agents reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA.

To allow attorneys appointed by GIRMA to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the Fund or Funds established by GIRMA.

To assist and cooperate in the defense and settlement of claims against the City.

To furnish full cooperation to GIRMA'S attorneys, claims adjusters, Service Company, and any agent, employee, officer or independent contractor of GIRMA relating to the purposes of GIRMA.

To follow all loss reduction and prevention procedures established by GIRMA.

Note 12. Risk Management - continued

To furnish to GIRMA such budget, operating and underwriting information as may be requested.

To report as promptly as possible, and in accordance with any Coverage Descriptions issued, all incidents which could result in GIRMA or any Fund established by GIRMA being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the City participates.

The City of Mt. Zion retains the first $1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to the $2,500 deductible.

Note 13. Joint Ventures

The City is a member of the Chattahoochee-Flint Regional Development Center (RDC). Assessed allocation of $1,566 was expended for the current year. Assessments may vary annually, but no substantial change in the financial burden to the City is anticipated. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements of the Center are available at the offices located on Highway 34, Franklin, Georgia.

REQUIRED SUPPLEMENTARY INFORMATION

City of Mt. Zion, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
Taxes:			
Local option sales tax	$ 128,720	$ 131,462	$ 2,742
Insurance premium tax	66,410	66,810	400
Franchise and public service tax	34,930	36,139	1,209
Property tax	81,134	80,878	(256)
	311,194	315,289	4,095
Licenses and permits:			
Business licenses	1,600	1,835	235
Building permits	1,100	1,099	(1)
	2,700	2,934	234
Intergovernmental:			
Grants	00	00	00
Charges for services:			
Rental income – P.O. lease	8,556	8,556	00
Recreation programs	48,280	52,207	3,927
	56,836	60,763	3,927
Fines and forfeitures	59,419	54,005	(5,414)
Interest	1,153	1,506	353
Miscellaneous	17,770	17,817	47
Total revenues	$ 449,072	$ 452,314	$ 3,242

See accompanying notes to budgetary comparison schedule.

City of Mt. Zion, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
General government:			
Salaries	$ 65,500	$ 66,522	$ (1,022)
Payroll taxes	6,150	4,825	1,325
Employee benefits	15,500	10,176	5,324
Office supplies and printing	2,950	2,787	163
Utilities and telephone	28,500	28,191	309
Insurance	13,720	13,686	34
Miscellaneous	1,600	169	1,431
Membership dues	1,500	1,470	30
Legal and accounting	14,000	14,362	(362)
Gasoline	2,000	1,453	547
Library books and supplies	250	233	17
Capital outlays	00	27,584	(27,584)
Council salary	4,200	4,067	133
Repairs and maintenance	1,675	713	962
Inspections fees	4,000	2,250	1,750
Computer services	3,441	1,679	1,762
Maintenance agreements	900	900	00
Advertising	950	1,444	(494)
Founders day	2,500	3,201	(701)
Training	600	572	28
Total general government	169,936	186,284	(16,348)
Public safety:			
Salaries	125,531	123,084	2,447
Payroll taxes	11,950	9,263	2,687
Employee benefits	12,800	12,842	(42)
Insurance	6,000	6,010	(10)
Gas and repairs	15,600	13,646	1,954
Supplies, printing and uniforms	4,075	6,196	(2,121)
Police officers' training and annuity fund	13,900	13,836	64
Training	2,000	1,218	782
Miscellaneous	1,325	1,661	(336)
Capital outlays	2,350	00	2,350
Jail fees	12,900	12,845	55
Court cost	9,000	7,846	1,154
Total public safety	217,431	208,447	8,984

See accompanying notes to budgetary comparison schedule.

City of Mt. Zion, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
Recreation department:			
Salaries	$ 14,500	$ 14,345	$ 155
Payroll taxes	1,050	1,045	5
Uniforms and equipment	15,350	11,605	3,745
Utilities and telephone	6,800	6,834	(34)
Office supplies	300	447	(147)
Field supplies, repairs and maintenance	4,000	2,577	1,423
Fundraiser	1,100	00	1,100
Concession supplies	8,500	9,912	(1,412)
Capital outlay	00	00	00
Referee officials	6,000	6,011	(11)
Tournament fees	1,600	1,378	222
Coaching expenditures	500	470	30
Miscellaneous	4,175	2,171	2,004
Repairs and maintenance	1,250	685	565
Sponsors	400	400	00
Administrative fee	3,420	3,420	00
Total recreation department	68,945	61,300	7,645
Highways and streets:			
Street improvements	3,300	2,316	984
Street signs	350	333	17
Capital outlay	00	00	00
Total highways and streets	3,650	2,649	1,001
Debt service:			
Principal	00	49,735	(49,735)
Interest	00	6,765	(6,765)
Total debt service	00	56,500	(56,500)
Total expenditures	459,962	515,180	(55,218)
Excess of expenditures over revenues	(10,890)	(62,866)	(51,976)
Other financing sources:			
Transfers in (out)	(39,000)	25,770	64,770
Total other financing sources	(39,000)	25,770	64,770
Excess of revenues and other financing sources over expenditures	$ (49,890)	$ (37,096)	$ 12,794

See accompanying notes to budgetary comparison schedule.

City of Mt. Zion, Georgia
Notes to Required Supplementary Information
September 30, 2007

Annual budgets are prepared and approved by the Mayor and Council for the General Fund and the Water Fund. Prior to the budget being legally enacted through passage of an ordinance, a public hearing is held to obtain taxpayer comments. The budgets are prepared on a basis consistent with generally accepted accounting principles. A project-length budget is prepared for the SPLOST Fund and the CDBG Fund.

City of Mt. Zion, Georgia
Budgetary Comparison Schedule – Water and Garbage Fund
For the Year Ended September 30, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Water revenue	$ 190,514	$ 187,155	$ (3,359)
Garbage revenue	50,800	54,078	3,278
Water and sewer tap fees	11,238	8,750	(2,488)
Late fees, service charges and reconnection fees	6,046	1,447	(4,599)
Miscellaneous	1,250	59	(1,191)
Total operating revenues	259,848	251,489	(8,359)
Operating expenses:			
Salaries	54,902	53,589	1,313
Payroll tax	5,375	3,982	1,393
Employee benefits	10,500	9,887	613
Vehicle and fuel expense	5,750	5,509	241
Depreciation	00	27,377	(27,377)
Office supplies and postage	5,625	4,101	1,524
Water purchases	81,950	93,356	(11,406)
Garbage fees	39,000	41,569	(2,569)
Supplies and meters	5,396	9,212	(3,816)
Professional fees	13,000	7,560	5,440
Miscellaneous	3,260	5,688	(2,428)
Insurance	13,000	12,967	33
Repairs and maintenance	3,900	3,672	228
Administrative fee	00	10,000	(10,000)
Total operating expenses	241,658	288,469	(46,811)
Operating income (loss)	18,190	(36,980)	(55,170)
Non-operating revenues (expenses):			
Interest expense	00	(1,587)	(1,587)
Total non-operating revenues (expenses)	00	(1,587)	(1,587)
Income (loss) before transfers	18,190	(38,567)	(56,757)
Transfers from General Fund	39,000	17,887	(21,113)
Transfers from Capital Projects Fund	00	12,919	12,919
Net income (loss)	$ 57,190	$ (7,761)	$ (64,951)

OTHER SUPPLEMENTARY INFORMATION

City of Mt. Zion, Georgia
Schedule of Projects Constructed with Special Purpose
Local Option Sales Tax Proceeds
For the Year Ended September 30, 2007

Project	Original Estimated Cost	Expenditures Prior Years	Expenditures Current Years	Total
1993				
Street paving	$ 412,000	$ 445,515	$ 00	$ 445,515
Fire protection	10,000	3,805	00	3,805
Recreation facilities	20,000	20,149	00	20,149
	$ 442,000	$ 469,469	$ 00	$ 469,469
1998				
Recreational building and renovations	$ 115,000	$ 115,426	$ 00	$ 115,426
Street projects	295,000	266,987	00	266,987
Water projects	138,600	12,117	00	12,117
Equipment	49,900	50,469	00	50,469
	$ 598,500	$ 444,999	$ 00	$ 444,999
2003				
Recreation – land, vehicle, equipment and improvements to fields and existing office	$ 200,000	$ 44,875	$ 114,834	$ 159,709
Water – vehicle, equipment, improvements and feasibility study	115,000	36,153	12,919	49,072
Community development – renovation and city beautification	125,000	78,717	14,667	93,384
Public safety – vehicles and equipment	75,000	56,625	70,190	126,815
Roads – paving and repairs	300,000	187,344	35,687	223,031
General city – equipment and building renovations	85,000	3,789	22,311	26,100
	$ 900,000	$ 407,503	$ 270,608	$ 678,111

City of Mt. Zion, Georgia
Schedule of CDBG Project Cost
September 30, 2007

Grant Number 04p-x-022-2-2999

Project Activity	Activity Number	Approved Budget	Accumulated Expenditures	Questioned Costs
Community Center	P-003.00	$ 500,000	$ 460,059	None
Total		$ 500,000	$ 460,059	

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*

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*

Honorable Mayor and City Council
City of Mt. Zion, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Mt. Zion, Georgia, as of and for the year ended September 30, 2007, which collectively comprise the City of Mt. Zion, Georgia's financial statements and have issued our report thereon dated May 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Mt. Zion, Georgia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Mt. Zion, Georgia's financial statements that is more than inconsequential will not be prevented or detected by the City of Mt. Zion, Georgia's internal control. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Mt. Zion, Georgia's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mt. Zion, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The City of Mt. Zion, Georgia's response to the finding in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City of Mt. Zion, Georgia's response and, accordingly, we express no opinion on it.

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

May 1, 2008

City of Mt. Zion, Georgia
Schedule of Findings and Responses
For the Year Ended September 30, 2007

Findings:

Segregation of Duties:

The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Although certain procedures have been implemented, such as having the mayor open all bank statements, substantial duties relative to receipt and disbursement processes are handled in large by one person. We recommend a continued effort to implement segregation of duties to the extent practical and accounting records be reviewed by responsible officials on a regular basis.

Management Response/Corrective Action Plan:

We concur with this finding, The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. The City Manager, Mayor and Council are involved in the financial affairs of the City to provide oversight and independent review functions.