CITY OF MT. ZION, GEORGIA

Financial Statements and Supplementary Information
For the Year Ended September 30, 2008

And

Independent Auditor's Report

City of Mt. Zion, Georgia
Annual Financial Report
For the Year Ended September 30, 2008

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City of Mt Zion, Georgia
City Officials
September 30, 2008

Elected Officials

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

Garrett
Stephens
Thomas &
Fazio, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Ann M. Fazio	CPA	Julie M. George	CPA
Frederick G. Thomas	CPA	Heather B. Foster	CPA
Deborah W. Cooke	CPA	Audrey L. McGhee	CPA
Johanna H. Tallent	CPA	Amber E. Ash	CPA
Brandy C. Smith	CPA		

Members of Georgia Society of Certified Public Accountants
Members of American Institute of Certified Public Accountants
Members of Private Companies Practice Section, Division for CPA Firms

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, 2008, 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, 2008, 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 20, 2009 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.

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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.

Garrett, Stephens, Thomas & Frazer, P.C.

May 20, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2008. 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 $2,244,059. This is a $64,023 decrease from last year's net assets of $2,308,082. This includes $2,058,196 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	
	2008	2007	2008	2007	2008	2007
Cash	$ 65,155	$ 61,121	$ 57,444	$ 71,388	$ 122,599	$ 132,509
Receivables, net	269,291	107,890	34,924	38,084	304,215	145,974
Capital assets, net	1,757,872	1,836,895	422,674	449,594	2,180,546	2,286,489
Inventory	00	00	11,536	10,749	11,536	10,749
Prepaid expenses	5,801	1,772	00	740	5,801	2,512
Internal balances	(24,376)	(24,376)	24,376	24,376	00	00
Total assets	2,073,743	1,983,302	550,954	594,931	2,624,697	2,578,233
Current liabilities	302,149	70,394	66,030	75,191	368,179	145,585
Long-term liabilities	12,459	124,566	00	00	12,459	124,566
	314,608	194,960	66,030	75,191	380,638	270,151
Net assets:						
Invested in capital assets, net of related debt	1,635,522	1,683,478	422,674	435,272	2,058,196	2,118,750
Unrestricted	123,613	104,864	62,250	84,468	185,863	189,332
Total net assets	$ 1,759,135	$ 1,788,342	$ 484,924	$ 519,740	$ 2,244,059	$ 2,308,082

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

Summary of Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for service	$ 212,292	$ 117,702	$ 225,284	$ 251,489	$ 437,576	$ 369,191
Operating grants	00	00	00	00	00	00
Capital grants	25,895	138,721	00	00	25,895	138,721
General revenues:						
Sales	233,957	358,491	00	00	233,957	358,491
Insurance premium taxes	69,690	66,810	00	00	69,690	66,810
Other taxes and misc.	209,124	136,340	00	00	209,124	136,340
Total revenues	750,958	818,064	225,284	251,489	976,242	1,069,553
Expenses:						
General government	202,460	200,726			202,460	200,726
Public safety	276,722	230,181			276,722	230,181
Highways and streets	24,465	31,426			24,465	31,426
Recreation and culture	122,523	87,734			122,523	87,734
Community center	114,852	00			114,852	00
Interest	10,292	6,765			10,292	6,765
Total	751,314	556,832				
Water			253,401	248,487	253,401	248,487
Garbage			35,550	41,569	35,550	41,569
Total			288,951	290,056		
Total expenses					1,040,265	846,888
Increase (decrease) in net assets before transfers	(356)	261,232	(63,667)	(38,567)	(64,023)	222,665
Transfers	(28,851)	(30,806)	28,851	30,806	00	00
Change in net assets	(29,207)	230,426	(34,816)	(7,761)	(64,023)	222,665
Beginning net assets	1,788,342	1,557,916	519,740	527,501	2,308,082	2,085,417
Ending net assets	$ 1,759,135	$ 1,788,342	$ 484,924	$ 519,740	$ 2,244,059	$ 2,308,082

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 $123,612. The total ending fund balances of governmental funds show an increase of $18,749 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 increased by $28,341 to $143,398.

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 $9,592 to $(19,785).

The CDBG Fund is used account for revenues and expenditures of the Community Development Block Grant Fund. The fund is considered major by the City because of the type of activity recorded in the fund.

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 $559,957. No amendments were made.

Capital Assets

At the end of year 2008, the City had $2,180,546 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 2008, the City had notes payable totaling $98,805 and a capital lease payable in the amount of $23,545. 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, 2008

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash	$ 65,155	$ 57,444	$ 122,599
Receivables, net	269,291	34,924	304,215
Inventory	00	11,536	11,536
Capital assets (non-depreciable)	167,630	00	167,630
Capital assets (depreciable), net	1,590,242	422,674	2,012,916
Prepaid expenses	5,801	00	5,801
Internal balances	(24,376)	24,376	00
Total assets	2,073,743	550,954	2,624,697
Liabilities:			
Accounts payable	28,160	17,130	45,290
Payroll taxes payable	3,505	00	3,505
Customer deposits	00	48,900	48,900
Deferred revenue – SPLOST	160,593	00	160,593
Capital leases payable - current	11,086	00	11,086
Capital leases payable – non-current	12,459	00	12,459
Note payable - current	98,805	00	98,805
Note payable – noncurrent	00	00	00
Total liabilities	314,608	66,030	380,638
Net assets:			
Invested in capital assets, net of related debt	1,635,522	422,674	2,058,196
Unrestricted	123,613	62,250	185,863
Total net assets	$ 1,759,135	$ 484,924	$ 2,244,059

See accompanying notes to financial statements.

City of Mt. Zion, Georgia
Statement of Activities
For the Year Ended September 30, 2008

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	$ 202,460	$ 27,171	$ 00	$ 00	$ (175,289)	$ 00	$ (175,289)
Public safety	276,722	81,235	00	00	(195,487)	00	(195,487)
Highways and streets	24,465	00	00	00	(24,465)	00	(24,465)
Recreation and culture	122,523	55,852	00	25,895	(40,776)	00	(40,776)
Community center	114,852	48,034	00	00	(66,818)	00	(66,818)
Interest on long-term debt	10,292	00	00	00	(10,292)	00	(10,292)
Total governmental activities	751,314	212,292	00	25,895	(513,127)	00	(513,127)
Business-type activities:							
Water	253,401	174,994	00	00	00	(78,407)	(78,407)
Garbage	35,550	50,290	00	00	00	14,740	14,740
Total business-type activities	288,951	225,284	00	00	00	(63,667)	(63,667)
Total primary government	$ 1,040,265	$ 437,576	$ 00	$ 25,895	(513,127)	(63,667)	(576,794)
General revenues:							
Taxes:							
Property taxes					165,237	00	165,237
Insurance premium taxes					69,690	00	69,690
Franchise public service taxes					37,054	00	37,054
Sales taxes					233,957	00	233,957
Interest and investment earnings					1,372	00	1,372
Miscellaneous					5,461	00	5,461
Total general revenues					512,771	00	512,771
Transfers					(28,851)	28,851	00
Total general revenues and transfers					483,920	28,851	512,771
Change in net assets					(29,207)	(34,816)	(64,023)
Net assets-beginning					1,788,342	519,740	2,308,082
Net assets-ending					$ 1,759,135	$ 484,924	$ 2,244,059

See accompanying notes to financial statements.

City of Mt. Zion, Georgia
Balance Sheet
Governmental Funds
September 30, 2008

	General Fund	SPLOST Fund	CDBG Fund	Total Governmental Funds
Assets				
Cash and equivalents	$ 63,735	$ 283	$ 1,137	$ 65,155
Receivables, net	108,698	00	00	108,698
Prepaid expenses	5,801	00	00	5,801
Receivables from other governments	00	160,593	00	160,593
Due from other funds	12,506	00	00	12,506
Total assets	$ 190,740	$ 160,876	$ 1,137	$ 325,753
Liabilities				
Accounts payable	$ 19,461	$ 8,700	$ 00	$ 28,161
Payroll taxes payable	3,505	00	00	3,505
Due to other funds	24,376	11,368	1,137	36,881
Deferred revenue – SPLOST	00	160,593	00	160,593
Due to other governments	00	00	00	00
Total liabilities	47,342	180,661	1,137	229,140
Fund Balances				
Unreserved				
CDBG fund	00	00	00	00
General fund	143,398	00	00	143,398
Capital projects fund	00	(19,785)	00	(19,785)
Total fund balances	143,398	(19,785)	1,137	123,613
Total liabilities and fund balances	$ 190,740	$ 160,876	$ 1,137	
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				1,757,872
Capital leases payable and note payable are not due and payable in the current period and therefore are not reported in the funds				(122,350)
Net assets of governmental activities				$ 1,759,135

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, 2008

	General Fund	SPLOST Fund	CDBG Fund	Total Governmental Funds
Revenues				
Taxes	$ 408,201	$ 00	$ 00	$ 408,201
Interest	1,372	00	00	1,372
Miscellaneous	5,461	00	00	5,461
Intergovernmental	00	97,737	25,895	123,632
Recreation	55,852	00	00	55,852
Fines and forfeitures	81,235	00	00	81,235
Licenses and permits	1,730	00	00	1,730
Post office lease	8,556	00	00	8,556
Community center	48,034	00	00	48,034
Administrative fees	16,885	00	00	16,885
Total revenues	627,326	97,737	25,895	750,958
Expenditures				
Current operating:				
General government	188,940	478	00	189,418
Public safety	254,627	00	00	254,627
Recreation and culture	78,705	31,957	00	110,662
Community center	60,522	11,800	25,895	98,217
Highways and streets	727	8,348	00	9,075
Debt service:				
Principal	21,247	9,820	00	31,067
Interest	6,847	3,445	00	10,292
Total expenditures	611,615	65,848	25,895	703,358
Excess of revenues over expenditures	15,711	31,889	00	47,600
Other financing sources:				
Transfers in (out)	12,630	(41,481)	00	(28,851)
Total other financing sources	12,630	(41,481)	00	(28,851)
Net change in fund balance	28,341	(9,592)	00	18,749
Fund balances - beginning	115,057	(10,193)	00	104,864
Fund balances - ending	$ 143,398	$ (19,785)	$ 00	$ 123,613

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, 2008

Net changes in fund balances – total governmental funds		$ 18,749
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	$ 00	
Depreciation	79,023	(79,023)
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.		31,067
Change in net assets of governmental activities		$ (29,207)

See accompanying notes to financial statements.

City of Mt. Zion, Georgia
Statement of Net Assets
Water and Garbage Fund
September 30, 2008

Assets	Water & Garbage
Current assets:	
Cash	$ 57,444
Accounts receivable (net of allowance)	34,924
Inventory	11,536
Total current assets	103,904
Capital assets:	
Property, plant and equipment	976,097
Accumulated depreciation	(553,423)
Total capital assets	422,674
Other assets (noncurrent):	
Due from other funds	24,376
Total other assets (noncurrent)	24,376
Total assets	$ 550,954
Liabilities	
Current liabilities:	
Accounts payable	$ 17,130
Customer deposits	48,900
Total current liabilities	66,030
Total liabilities	66,030
Net Assets	
Invested in capital assets, net of related debt	422,674
Unrestricted	62,250
Total net assets	484,924
Total liabilities and net assets	$ 550,954

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, 2008

	Water & Garbage
Operating revenue:	
Charges for services	$ 225,284
Operating expenses:	
Salaries	59,208
Payroll taxes	4,595
Employee benefits	8,637
Vehicle and fuel expense	8,144
Depreciation	26,920
Repairs and maintenance	493
Office supplies and postage	3,424
Water purchases	82,090
Garbage fees	35,550
Supplies and meters	14,574
Professional fees	7,092
Insurance	15,087
Administration fee	15,000
Miscellaneous	8,007
Total operating expenses	288,821
Operating loss	(63,537)
Non-operating expenses:	
Interest expense	(130)
Total non-operating expenses	(130)
Loss before transfers	(63,667)
Transfers in, net	28,851
Change in net assets	(34,816)
Net assets beginning of year	519,740
Net assets end of year	$ 484,924

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, 2008

	Water & Garbage
Cash flows from operating activities:	
Receipts from customers	$ 232,972
Payments for suppliers	(202,107)
Payments to employees	(59,208)
Net cash used by operating activities	(28,343)
Cash flows from noncapital financing activities:	
Transfers from other funds, net	28,851
Net cash provided by noncapital financing activities	28,851
Cash flows from capital and related financing activities:	
Principal paid on loans	(14,322)
Interest paid on capital debt	(130)
Net cash used by capital and related financing activities	(14,452)
Net decrease in cash and cash equivalents	(13,944)
Balances – beginning of year	71,388
Balances – end of year	$ 57,444
Reconciliation of operating income	
to net cash provided by operating activities:	
Operating loss	$ (63,537)
Adjustments to reconcile operating income to	
net cash provided by operating activities:	
Depreciation expense	26,920
Change in assets and liabilities:	
Receivables, net	3,160
Inventory	(788)
Prepaid expense	740
Customer deposits	4,528
Accounts payable	634
Net cash used by operating activities	$ (28,343)

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 considered a major fund by the City.

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.

Inventories

The water and sewer funds maintain an inventory of supplies. Inventories maintained in the water department are recorded at cost on a first-in, first-out basis.

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 capital 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, 2008, 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 leases 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, 2007, and were due January 15, 2008.

Note 4. Due From and Due to Other Funds

Individual fund interfund receivable and payable balances at September 30, 2008, were:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ 12,505	$ 24,376
Water and Garbage Fund	24,376	00
Capital Projects Fund	00	1,137
CDBG Fund	00	11,368
	$ 36,881	$ 36,881

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, 2008 was as follows:

	Balance at Oct 1, 2007	Additions	Disposals	Balance at Sept. 30, 2008
Governmental activities:				
Non-depreciable:				
Land	$ 167,630	$ 00	$ 00	$ 167,630
Depreciable:				
Land improvements	$ 162,204	$ 00	$ 00	$ 162,204
Buildings and improvements	1,015,716	00	00	1,015,716
Machinery and equipment	140,813	00	00	140,813
Vehicles	162,399	00	00	162,399
Infrastructure	728,863	00	00	728,863
Total depreciable	2,209,995	00	00	2,209,995
Less accumulated depreciation:				
Land improvements	37,688	7,435	00	45,123
Buildings and improvements	261,499	26,121	00	287,620
Machinery and equipment	113,630	6,696	00	120,326
Vehicles	84,213	23,381	00	107,594
Infrastructure	43,700	15,390	00	59,090
Total accumulated depreciation	540,730	79,023	00	619,753
Governmental activities capital assets (depreciable), net	$ 1,669,265	$ (79,023)	$ 00	$ 1,590,242
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	433,531	15,688	00	449,219
Equipment	82,479	6,026	00	88,505
Vehicles	10,493	5,206	00	15,699
Total accumulated depreciation	526,503	26,920	00	553,423
Business-type capital assets, net	$ 449,594	$ (26,920)	$ 00	$ 422,674

Depreciation was charged to governmental activities as follows:

General government	$ 13,042
Public Safety	22,095
Recreation and culture	11,861
Community center	16,635
Infrastructure	15,390
Total	$ 79,023

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

During the year ended September 30, 2008, the following changes occurred in the water and garbage fund:

	Balance September 30, 2007	Additions	Reductions	Balance September 30, 2008	Amount Due Within 1 year
Note payable	$ 14,322	$ 00	$ 14,322	$ 00	$ 00

The City had a secured note payable to a local bank which was paid off during the year,

Note 7. Long-Term Debt – Governmental Activities

During the year ended September 30, 2008, the following changes occurred in the governmental activities:

	Balance September 30, 2007	Additions	Reductions	Balance September 30, 2008	Amount Due Within 1 year
Capital leases	$ 43,629	$ 00	$ 20,084	$ 23,545	$ 11,086
Notes payable	109,788	00	10,983	98,805	98,805
	$ 153,417	$ 00	$ 31,067	$ 122,350	$ 109,891

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.

The City entered into a lease agreement dated January 10, 2005 with Ford Motor Credit Company to purchase two new police vehicles. 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

The City entered into a lease agreement dated May 23, 2007 with Brannen Motor Company to purchase two new police vehicles. 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 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, 2008, are as follows:

September 30, 2009	$ 13,265
September 30, 2010	13,265
Minimum lease payment for all capital leases	26,530
Less amount representing interest	(2,985)
Present value of minimum lease payments	$ 23,545

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 9-30-09	$ 98,805	$ 2,108	$ 100,913

Note 8. Interfund Transfers

Interfund transfers for the year ended September 30, 2008, were as follows:

	Transfer to		
Transfer from:	General Fund	Water & Garbage Fund	Total
General Fund	$ 00	$ 20,699	$ 20,699
SPLOST Fund	33,329	8,152	41,481
	$ 33,329	$ 28,851	$ 62,180

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 $51,658. The following department's expenditures exceeded its budgeted appropriations by more than three percent.

Recreation department	$ 3,893
Public safety	24,645
Debt Service	28,094

The Water Fund's operating expenses exceeded budgeted operating expenses by $22,579.

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, 2008, was $149,518.

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, 2008, 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	2
Current active employees:	
Vested	3
Nonvested	3
Total membership in the plan	8

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, 2008.

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, 2008, 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, 2008. 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 5.5 percent a year attributable to inflation, (c) cost of living adjustment of 0%, 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 2008 of $6,606 are made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2008. The City contributes the entire amount (4.42 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%
7/01/08	61,428	44,380	(17,048)	138.41%	149,518	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
7/01/08	6,606	100%	0

Note 11. Contingencies

There is no pending claims or litigations against the City of Mt. Zion which city officials believe would have a material effect on the financial position of the City.

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 City is exposed to various risks of losses related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other cities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of this risk pool, the City is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the fund being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys 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 funds.

The fund is to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The fund is to pay all cost taxed against 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.

The City purchased commercial insurance to protect it from risks of loss related to tort, theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

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, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
Taxes:			
Local option sales tax	$ 131,565	$ 136,220	$ 4,655
Insurance premium tax	71,000	69,690	(1,310)
Franchise and public service tax	39,300	37,054	(2,246)
Property tax	154,046	165,237	11,191
	395,911	408,201	12,290
Licenses and permits:			
Business licenses	1,600	1,730	130
Building permits	3,800	00	(3,800)
	5,400	1,730	(3,670)
Intergovernmental:			
Grants	00	00	00
Charges for services:			
Rental income – P.O. lease	8,556	8,556	00
Recreation programs	50,715	55,852	5,137
Community Center programs	60,805	48,034	(12,771)
	120,076	112,442	(7,634)
Fines and forfeitures	54,300	81,235	26,935
Interest	1,100	1,372	272
Administrative fees	18,420	16,885	(1,535)
Miscellaneous	1,750	5,461	3,711
Total revenues	596,957	627,326	30,369

See accompanying notes to budgetary comparison schedule.

City of Mt. Zion, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
General government:			
Salaries	$ 64,340	$ 59,913	$ 4,427
Payroll taxes	5,148	4,650	498
Employee benefits	5,070	7,733	(2,663)
Office supplies and printing	2,300	2,389	(89)
Utilities and telephone	28,000	26,356	1,644
Insurance	12,000	12,000	00
Miscellaneous	1,300	4,795	(3,495)
Membership dues	1,500	1,739	(239)
Legal and accounting	12,500	14,753	(2,253)
Gasoline	2,000	1,775	225
Election expense	1,400	1,240	160
Council salary	4,200	4,200	00
Repairs and maintenance	2,050	2,080	(30)
Inspections fees	3,500	860	2,640
Library expense	00	4,705	(4,705)
Maintenance agreements	1,350	450	900
Advertising	1,400	1,587	(187)
Founders day	2,500	1,806	694
Training	2,800	1,083	1,717
Community Center subsidy	38,000	34,826	3,174
Total general government	191,358	188,940	2,418
Public safety:			
Salaries	141,280	144,482	(3,202)
Payroll taxes	11,302	11,213	89
Employee benefits	13,700	15,402	(1,702)
Insurance	4,000	4,023	(23)
Gas and repairs	16,000	23,494	(7,494)
Supplies, printing and uniforms	5,500	6,169	(669)
Police officers' training and annuity fund	13,000	22,287	(9,287)
Training	2,500	2,835	(335)
Miscellaneous	1,700	4,846	(3,146)
Capital outlays	2,000	00	2,000
Jail fees	9,000	7,832	1,168
Court cost	10,000	12,044	(2,044)
Total public safety	229,982	254,627	(24,645)

See accompanying notes to budgetary comparison schedule.

City of Mt. Zion, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
Community center:			
Salaries	$ 28,486	$ 23,048	$ 5,438
Payroll taxes	2,092	1,789	303
Instructors	2,000	1,522	478
Food cost	8,320	6,503	1,817
Supplies and printing	3,990	2,357	1,633
Advertising	250	286	(36)
Cleaning service	2,080	2,080	00
Utilities	12,000	16,382	(4,382)
Monitoring fees	1,587	1,581	6
Miscellaneous	00	4,974	(4,974)
Total community center	60,805	60,522	283
Recreation department:			
Salaries	14,840	15,447	(607)
Payroll taxes	1,187	1,199	(12)
Employee benefits	5,070	3,868	1,202
Uniforms and equipment	17,295	18,315	(1,020)
Utilities and telephone	4,000	5,421	(1,421)
Insurance	3,000	3,017	(17)
Field supplies, repairs and maintenance	3,500	815	2,685
Fundraiser	750	2,006	(1,256)
Concession supplies	7,000	10,351	(3,351)
Referee officials	6,500	5,962	538
Tournament fees	2,000	3,442	(1,442)
Coaching expenditures	350	300	50
Miscellaneous	2,150	3,724	(1,574)
Repairs and maintenance	3,250	1,160	2,090
Sponsors	500	258	242
Administrative fee	3,420	3,420	00
Total recreation department	74,812	78,705	(3,893)
Highways and streets:			
Street improvements	2,500	711	1,789
Street signs	500	16	484
Total highways and streets	3,000	727	2,273

See accompanying notes to budgetary comparison schedule.

City of Mt. Zion, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal	$ 00	$ 21,247	$ (21,247)
Interest	00	6,847	(6,847)
Total debt service	00	28,094	(28,094)
Total expenditures	559,957	611,615	(51,658)
Excess of expenditures over revenues	37,000	15,711	(21,289)
Other financing sources:			
Transfers in (out)	(37,000)	12,630	49,630
Total other financing sources	(37,000)	12,630	49,630
Excess of revenues and other financing sources over expenditures	$ 00	$ 28,341	$ 28,341

See accompanying notes to budgetary comparison schedule.

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, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Water revenue	$ 182,500	$ 162,480	$ (20,020)
Garbage revenue	52,000	50,290	(1,710)
Water and sewer tap fees	12,000	00	(12,000)
Late fees, service charges and reconnection fees	5,510	12,381	6,871
Miscellaneous	150	133	(17)
Total operating revenues	252,160	225,284	(26,876)
Operating expenses:			
Salaries	61,903	59,208	2,695
Payroll tax	4,954	4,595	359
Employee benefits	7,825	8,637	(812)
Vehicle and fuel expense	5,750	8,144	(2,394)
Depreciation	00	26,920	(26,920)
Office supplies and postage	2,350	1,603	747
Tools and equipment	3,500	1,232	2,268
Computer services	2,500	1,821	679
Water purchases	81,500	82,090	(590)
Garbage fees	37,000	35,550	1,450
Supplies and meters	10,000	13,342	(3,342)
Professional fees	9,500	7,092	2,408
Miscellaneous	6,460	8,007	(1,547)
Insurance	15,000	15,087	(87)
Repairs and maintenance	3,000	493	2,507
Administrative fee	15,000	15,000	00
Total operating expenses	266,242	288,821	(22,579)
Operating loss	(14,082)	(63,537)	(49,455)
Non-operating revenues (expenses):			
Interest expense	00	(130)	(130)
Total non-operating revenues (expenses)	00	(130)	(130)
Loss before transfers	(14,082)	(63,667)	(49,585)
Transfers from General Fund	37,000	20,699	(16,301)
Transfers from Capital Projects Fund	00	8,152	8,152
Net income (loss)	$ 22,918	$ (34,816)	$ (57,734)

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, 2008

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	200	20,349
	$ 442,000	$ 469,469	$ 200	$ 469,669
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	$ 159,709	$ 49,229	$ 208,938
Water – vehicle, equipment, improvements and feasibility study	115,000	49,072	8,152	57,224
Community development – renovation and city beautification	125,000	93,384	17,035	110,419
Public safety – vehicles and equipment	75,000	126,815	10,823	137,638
Roads – paving and repairs	300,000	223,031	8,348	231,379
General city – equipment and building renovations	85,000	26,100	478	26,578
	$ 900,000	$ 678,111	$ 94,065	$ 772,176

City of Mt. Zion, Georgia
Schedule of CDBG Project Cost
September 30, 2008

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

Project Activity	Activity Number	Approved Budget	Accumulated Expenditures	Questioned Costs
Community Center	P-003.00	$ 500,000	$ 485,954	None
Total		$ 500,000	$ 485,954	

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*

Garrett
Stephens
Thomas &
Fazio, P.C.

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Members of Private Companies Practice Section, Division for CPA Firms

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, 2008, which collectively comprise the City of Mt. Zion, Georgia's financial statements and have issued our report thereon dated May 20, 2009. 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.

Garrett, Stephens, Thomas & Sayer, P.C.

May 20, 2009

City of Mt. Zion, Georgia
Schedule of Findings and Responses
For the Year Ended September 30, 2008

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.