CITY OF MT. ZION, GEORGIA

Financial Statements and Supplementary Information
For the Year Ended September 30, 2009

And

Independent Auditor's Report

City of Mt. Zion, Georgia
Annual Financial Report
For the Year Ended September 30, 2009

	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	33
Notes to Required Supplementary Information	37
OTHER SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – Water and Garbage Fund	38
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds	39
Schedule of CDBG Project Cost	40
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*	41
Schedule of Findings and Responses	43

City of Mt Zion, Georgia
City Officials
September 30, 2009

Elected Officials

Ms. Sue Bloodworth	Mayor
Ms. Jane Cammons	Councilwoman
Mr. Donald Newman	Councilman
Mr. Ellis Webb	Councilman
Ms. Kathy Albright	Councilwoman

Garrett
Stephens
Thomas &
Fazio, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Ann M. Fazio	CPA	Brandy C. Smith	CPA
Frederick G. Thomas	CPA	Julie M. George	CPA
Deborah W. Cooke	CPA	Heather B. Foster	CPA
Johanna H. Tallent	CPA	Audrey L. McGhee	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, 2009, 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, 2009, 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 March 29, 2010 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.

P.O. Box 488 • Carrollton, Georgia 30112 • Tel. (770) 832-2439 • Fax (770) 834-8323 • Email gstandco@bellsouth.net
P.O. Box 357 • Villa Rica, Georgia 30180 • Tel. (770) 459-2211 • Fax (770) 459-2214 • Email gstthomas@bellsouth.net

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 33 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 & Tuggle, P.C.

March 29, 2010

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, 2009. 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 32 of this report.

Financial Analysis of the City as a Whole

The City's net assets at year-end are $2,438,110. This is a $194,051 increase from last year's net assets of $2,244,059. This includes $2,165,728 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	
	2009	2008	2009	2008	2009	2008
Cash	$ 78,663	$ 65,155	$ 61,048	$ 57,444	$ 139,711	$ 122,599
Receivables, net	233,989	269,291	42,406	34,924	276,395	304,215
Capital assets, net	1,794,598	1,757,872	396,635	422,674	2,191,233	2,180,546
Inventory	00	00	11,381	11,536	11,381	11,536
Prepaid expenses	7,992	5,801	00	00	7,992	5,801
Internal balances	(24,376)	(24,376)	24,376	24,376	00	00
Total assets	2,090,866	2,073,743	535,846	550,954	2,626,712	2,624,697
Current liabilities	129,481	302,149	59,121	66,030	188,602	368,179
Long-term liabilities	00	12,459	00	00	00	12,459
	129,481	314,608	59,121	66,030	188,602	380,638
Net assets:						
Invested in capital assets, net of related debt	1,769,093	1,635,522	396,635	422,674	2,165,728	2,058,196
Unrestricted	192,292	123,613	80,090	62,250	272,382	185,863
Total net assets	$ 1,961,385	$ 1,759,135	$ 476,725	$ 484,924	$ 2,438,110	$ 2,244,059

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

Summary of Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for service	$ 285,477	$ 212,292	$ 235,450	$ 225,284	$ 520,927	$ 437,576
Operating grants	00	00	00	00	00	00
Capital grants	14,307	25,895	00	00	14,307	25,895
General revenues:						
Sales taxes	386,394	233,957	00	00	386,394	233,957
Insurance premium taxes	71,359	69,690	00	00	71,359	69,690
Other taxes and misc.	234,862	209,124	00	00	234,862	209,124
Total revenues	992,399	750,958	235,450	225,284	1,227,849	976,242
Expenses:						
General government	220,140	202,460			220,140	202,460
Public safety	318,374	276,722			318,374	276,722
Highways and streets	36,309	24,465			36,309	24,465
Recreation and culture	92,228	122,523			92,228	122,523
Community center	90,627	114,852			90,627	114,852
Interest	8,577	10,292			8,577	10,292
Total	766,255	751,314				
Water			228,477	253,401	228,477	253,401
Garbage			39,066	35,550	39,066	35,550
Total			267,543	288,951		
Total expenses					1,033,798	1,040,265
Increase (decrease) in net assets before transfers	226,144	(356)	(32,093)	(63,667)	194,051	(64,023)
Transfers	(23,894)	(28,851)	23,894	28,851	00	00
Change in net assets	202,250	(29,207)	(8,199)	(34,816)	194,051	(64,023)
Beginning net assets	1,759,135	1,788,342	484,924	519,740	2,244,059	2,308,082
Ending net assets	$ 1,961,385	$ 1,759,135	$ 476,725	$ 484,924	$ 2,438,110	$ 2,244,059

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 $192,292. The total ending fund balances of governmental funds show an increase of $68,679 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 $20,055 to $163,453.

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 increased by $48,624 to $28,839.

The CDBG Fund is used to 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. The fund was closed out during the year.

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 $635,097. No amendments were made.

Capital Assets

At the end of year 2009, the City had $2,191,233 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 2009, the City had paid off the balance on the City's notes payable and held capital lease payables in the amount of $25,505. More detailed information about the City's debt is presented in note 6.

City of Mt. Zion, Georgia
Statement of Net Assets
September 30, 2009

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash	$ 78,663	$ 61,048	$ 139,711
Receivables, net	233,989	42,406	276,395
Inventory	00	11,381	11,381
Capital assets (non-depreciable)	167,630	00	167,630
Capital assets (depreciable), net	1,626,968	396,635	2,023,603
Prepaid expenses	7,992	00	7,992
Internal balances	(24,376)	24,376	00
Total assets	2,090,866	535,846	2,626,712
Liabilities:			
Accounts payable	16,245	12,137	28,382
Payroll taxes payable	1,138	00	1,138
Customer deposits	00	46,984	46,984
Deferred revenue – SPLOST	86,593	00	86,593
Capital leases payable - current	25,505	00	25,505
Total liabilities	129,481	59,121	188,602
Net assets:			
Invested in capital assets, net of related debt	1,769,093	396,635	2,165,728
Unrestricted	192,292	80,090	272,382
Total net assets	$ 1,961,385	$ 476,725	$ 2,438,110

See accompanying notes to financial statements.

City of Mt. Zion, Georgia
Statement of Activities
For the Year Ended September 30, 2009

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	$ 220,140	$ 24,646	$ 00	$ 00	$ (195,494)	$ 00	$ (195,494)
Public safety	318,374	163,212	00	00	(155,162)	00	(155,162)
Highways and streets	36,309	00	00	5,407	(30,902)	00	(30,902)
Recreation and culture	92,228	48,798	00	00	(43,430)	00	(43,430)
Community center	90,627	48,821	00	8,900	(32,906)	00	(32,906)
Interest on long-term debt	8,577	00	00	00	(8,577)	00	(8,577)
Total governmental activities	766,255	285,477	00	14,307	(466,471)	00	(466,471)
Business-type activities:							
Water	228,477	186,812	00	00	00	(41,665)	(41,665)
Garbage	39,066	48,638	00	00	00	9,572	9,572
Total business-type activities	267,543	235,450	00	00	00	(32,093)	(32,093)
Total primary government	$ 1,033,798	$ 520,927	$ 00	$ 14,307	(466,471)	(32,093)	(498,564)
General revenues:							
Taxes:							
Property taxes					187,846	00	187,846
Insurance premium taxes					71,359	00	71,359
Franchise public service taxes					36,792	00	36,792
Sales taxes					386,394	00	386,394
Interest and investment earnings					258	00	258
Miscellaneous					9,966	00	9,966
Total general revenues					692,615	00	692,615
Transfers					(23,894)	23,894	00
Total general revenues and transfers					668,721	23,894	692,615
Change in net assets					202,250	(8,199)	194,051
Net assets-beginning					1,759,135	484,924	2,244,059
Net assets-ending					$ 1,961,385	$ 476,725	$ 2,438,110

See accompanying notes to financial statements.

City of Mt. Zion, Georgia
Balance Sheet
Governmental Funds
September 30, 2009

	General Fund	SPLOST Fund	CDBG Fund	Total Governmental Funds
Assets				
Cash and equivalents	$ 49,824	$ 28,839	$ 00	$ 78,663
Receivables, net	147,396	00	00	147,396
Prepaid expenses	7,992	00	00	7,992
Receivables from other governments	00	86,593	00	86,593
Total assets	$ 205,212	$ 115,432	$ 00	$ 320,644
Liabilities				
Accounts payable	$ 16,245	$ 00	$ 00	$ 16,245
Payroll taxes payable	1,138	00	00	1,138
Due to other funds	24,376	00	00	24,376
Deferred revenue – SPLOST	00	86,593	00	86,593
Total liabilities	41,759	86,593	00	128,352
Fund Balances				
Unreserved				
CDBG fund	00	00	00	00
General fund	163,453	00	00	163,453
Capital projects fund	00	28,839	00	28,839
Total fund balances	163,453	28,839	00	192,292
Total liabilities and fund balances	$ 205,212	$ 115,432	$ 00	
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				1,794,598
Capital leases payable and note payable are not due and payable in the current period and therefore are not reported in the funds				(25,505)
Net assets of governmental activities				$ 1,961,385

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, 2009

	General Fund	SPLOST Fund	CDBG Fund	Total Governmental Funds
Revenues				
Taxes	$ 417,028	$ 00	$ 00	$ 417,028
Interest	258	00	00	258
Miscellaneous	9,966	00	00	9,966
Intergovernmental	5,407	265,363	8,900	279,670
Recreation	48,798	00	00	48,798
Fines and forfeitures	163,212	00	00	163,212
Licenses and permits	1,595	00	00	1,595
Post office lease	8,556	00	00	8,556
Community center	48,821	00	00	48,821
Administrative fees	14,495	00	00	14,495
Total revenues	718,136	265,363	8,900	992,399
Expenditures				
Current operating:				
General government	209,002	1,352	00	210,354
Public safety	295,850	22,000	00	317,850
Recreation and culture	78,869	53,994	00	132,863
Community center	51,509	31,234	8,900	91,643
Highways and streets	21,788	19,906	00	41,694
Debt service:				
Principal	98,805	20,040	00	118,845
Interest	5,523	3,054	00	8,577
Total expenditures	761,346	151,580	8,900	921,826
Excess (deficiency) of revenues over expenditures	(43,210)	113,783	00	70,573
Other financing sources:				
Proceeds from capital leases	00	22,000	00	22,000
Transfers in (out)	63,265	(87,159)	00	(23,894)
Total other financing sources	63,265	(65,159)	00	(1,894)
Net change in fund balance	20,055	48,624	00	68,679
Fund balances - beginning	143,398	(19,785)	00	123,613
Fund balances - ending	$ 163,453	$ 28,839	$ 00	$ 192,292

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, 2009

Net changes in fund balances – total governmental funds		$ 68,679
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	$ 116,710	
Depreciation	(79,984)	36,726
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.		118,845
Proceeds from capital leases are reported as an other financing source in the governmental funds, but as a liability in the statement of net assets.		(22,000)
Change in net assets of governmental activities		$ 202,250

See accompanying notes to financial statements.

City of Mt. Zion, Georgia
Statement of Net Assets
Water and Garbage Fund
September 30, 2009

Assets	Water & Garbage
Current assets:	
Cash	$ 61,048
Accounts receivable (net of allowance)	42,406
Inventory	11,381
Total current assets	114,835
Long-term assets:	
Capital assets:	
Property, plant and equipment	976,097
Accumulated depreciation	(579,462)
Other assets (noncurrent):	
Due from other funds	24,376
Total long-term assets	421,011
Total assets	$ 535,846
Liabilities	
Current liabilities:	
Accounts payable	$ 12,137
Customer deposits	46,984
Total current liabilities	59,121
Total liabilities	59,121
Net Assets	
Invested in capital assets, net of related debt	396,635
Unrestricted	80,090
Total net assets	476,725
Total liabilities and net assets	$ 535,846

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, 2009

	Water & Garbage
Operating revenue:	
Charges for services	$ 235,450
Operating expenses:	
Salaries	49,972
Payroll taxes	4,005
Employee benefits	5,076
Vehicle and fuel expense	8,574
Depreciation	26,039
Repairs and maintenance	386
Office supplies and postage	3,635
Water purchases	74,968
Garbage fees	39,066
Supplies and meters	10,875
Professional fees	6,534
Insurance	17,653
Administration fee	12,500
Miscellaneous	8,260
Total operating expenses	267,543
Operating loss	(32,093)
Transfers in, net	23,894
Change in net assets	(8,199)
Net assets beginning of year	484,924
Net assets end of year	$ 476,725

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, 2009

	Water & Garbage
Cash flows from operating activities:	
Receipts from customers	$ 226,052
Payments for suppliers	(196,370)
Payments to employees	(49,972)
Net cash used by operating activities	(20,290)
Cash flows from noncapital financing activities:	
Transfers from other funds, net	23,894
Net cash provided by noncapital financing activities	23,894
Cash flows from capital and related financing activities:	
Principal paid on loans	00
Interest paid on capital debt	00
Net cash used by capital and related financing activities	00
Net decrease in cash and cash equivalents	3,604
Balances – beginning of year	57,444
Balances – end of year	$ 61,048
Reconciliation of operating income	
to net cash provided by operating activities:	
Operating loss	$ (32,093)
Adjustments to reconcile operating income to	
net cash provided by operating activities:	
Depreciation expense	26,039
Change in assets and liabilities:	
Receivables, net	(7,482)
Inventory	155
Customer deposits	(1,916)
Accounts payable	(4,993)
Net cash used by operating activities	$ (20,290)

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, 2009, 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, 2008, and were due January 15, 2009.

Note 4. Due From and Due to Other Funds

Individual fund interfund receivable and payable balances at September 30, 2009, were:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ 00	$ 24,376
Water and Garbage Fund	24,376	00
	$ 24,376	$ 24,376

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, 2009 was as follows:

	Balance at Oct 1, 2008	Additions	Disposals	Balance at Sept. 30, 2009
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	53,994	00	1,069,710
Machinery and equipment	140,813	00	00	140,813
Vehicles	162,399	42,346	00	204,745
Infrastructure	728,863	20,370	00	749,233
Total depreciable	2,209,995	116,710	00	2,326,705
Less accumulated depreciation:				
Land improvements	45,123	9,595	00	54,718
Buildings and improvements	287,620	25,218	00	312,838
Machinery and equipment	120,326	2,650	00	122,976
Vehicles	107,594	27,536	00	135,130
Infrastructure	59,090	14,985	00	74,075
Total accumulated depreciation	619,753	79,984	00	699,737
Governmental activities capital assets (depreciable), net	$ 1,590,242	$ 36,726	$ 00	$ 1,626,968
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	449,219	15,688	00	464,907
Equipment	88,505	5,568	00	94,073
Vehicles	15,699	4,783	00	20,482
Total accumulated depreciation	553,423	26,039	00	579,462
Business-type capital assets, net	$ 422,674	$ (26,039)	$ 00	$ 396,635

Depreciation was charged to governmental activities as follows:

General government	$ 9,786
Public Safety	21,524
Recreation and culture	13,359
Community center	19,330
Infrastructure	14,985
Total	$ 79,984

Note 6. Long-Term Debt – Governmental Activities

During the year ended September 30, 2009, the following changes occurred in the governmental activities:

	Balance September 30, 2008	Additions	Reductions	Balance September 30, 2009	Amount Due Within 1 year
Capital leases	$ 23,545	$ 22,000	$ 20,040	$ 25,505	$ 25,505
Notes payable	98,805	00	98,805	00	00
	$ 122,350	$ 22,000	$ 118,845	$ 25,505	$ 25,505

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 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 also entered into a lease agreement dated April 17, 2009 with Lyon Financial Services, Inc. to purchase a police vehicle. The gross amount recorded for the vehicle was $22,000. Under the terms of the lease, the City is required to make monthly payments of $1,913.73 beginning May 2009 and ending April 2010, consisting of principal and interest at a rate of 8.00%.

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, 2009, are as follows:

September 30, 2010	$ 26,661
Minimum lease payment for all capital leases	26,661
Less amount representing interest	(1,156)
Present value of minimum lease payments	$ 25,505

Note 6. Long-Term Debt – Government Activities – continued

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 was paid on February 27, 2009.

Note 7. Interfund Transfers

Interfund transfers for the year ended September 30, 2009, were as follows:

	Transfer to		
Transfer from:	General Fund	Water & Garbage Fund	Total
General Fund	$ 00	$ 19,338	$ 19,338
SPLOST Fund	82,603	4,556	87,159
	$ 82,603	$ 23,894	$ 106,497

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 8. Budget Overages

The general fund expenditures exceeded budgeted appropriations by $126,249. The following department's expenditures exceeded its budgeted appropriations by more than three percent.

Recreation department	$ 2,725
Highway and streets	19,438
Debt Service	104,328
General government	11,735

Note 9. 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, 2009, was $188,306.

Note 9. Retirement Plan - continued

Plan Description - continued

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.

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, 2009, 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	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, 2009.

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, 2009, 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.

Note 9. Retirement Plan - continued

The "actuarial accrued liability" was computed as part of an actuarial valuation performed as of July 1, 2009. 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.

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 2009 of $7,505 are made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2009. The City contributes the entire amount (3.99 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%
7/01/09	58,824	54,555	(4,269)	107.83%	188,306	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
7/01/09	7,505	100%	0

Note 10. 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 11. 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 12. Joint Ventures

The City is a member of the Chattahoochee-Flint Regional Development Center (RDC). Assessed allocation of $1,557 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, 2009

	Original and Final Budget	Actual	Variance Over (Under)
Taxes:			
Local option sales tax	$ 142,000	$ 121,031	$ (20,969)
Insurance premium tax	71,933	71,359	(574)
Franchise and public service tax	39,700	36,792	(2,908)
Property tax	155,706	187,846	32,140
	409,339	417,028	7,689
Licenses and permits:			
Business licenses	1,575	1,595	20
Intergovernmental:			
Grants	00	5,407	5,407
Charges for services:			
Rental income – P.O. lease	8,556	8,556	00
Recreation programs	54,050	48,798	(5,252)
Community Center programs	54,750	48,821	(5,929)
	117,356	106,175	(11,181)
Fines and forfeitures	124,190	163,212	39,022
Interest	700	258	(442)
Administrative fees	16,995	14,495	(2,500)
Miscellaneous	4,017	9,966	5,949
Total revenues	$ 674,172	$ 718,136	$ 43,964

See accompanying notes to budgetary comparison schedule.

City of Mt. Zion, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2009

	Original and Final Budget	Actual	Variance Over (Under)
General government:			
Salaries	$ 61,763	$ 60,253	$ 1,510
Payroll taxes	5,505	4,829	676
Employee benefits	9,000	10,754	(1,754)
Office supplies and printing	1,720	1,883	(163)
Utilities and telephone	28,500	24,900	3,600
Insurance	20,040	19,123	917
Miscellaneous	2,770	6,353	(3,583)
Membership dues	1,600	00	1,600
Legal and accounting	13,775	17,083	(3,308)
Gasoline	1,750	00	1,750
Council salary	4,200	4,200	00
Repairs and maintenance	2,125	2,269	(144)
Inspections fees	639	495	144
Library expense	00	11,068	(11,068)
Maintenance agreements	450	450	00
Advertising	1,610	5,258	(3,648)
Founders day	3,720	2,092	1,628
Training	100	00	100
Community Center subsidy	38,000	37,992	8
Total general government	197,267	209,002	(11,735)
Public safety:			
Salaries	171,905	171,690	215
Payroll taxes	16,400	13,761	2,639
Employee benefits	14,350	11,899	2,451
Insurance	9,480	9,046	434
Gas and repairs	17,315	15,747	1,568
Supplies, printing and uniforms	5,185	5,790	(605)
Police officers' training and annuity fund	32,475	35,004	(2,529)
Training	2,375	2,327	48
Miscellaneous	4,830	7,924	(3,094)
Capital outlays	935	00	935
Jail fees	11,190	9,132	2,058
Court cost	13,550	13,530	20
Total public safety	299,990	295,850	4,140

See accompanying notes to budgetary comparison schedule.

City of Mt. Zion, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2009

	Original and Final Budget	Actual	Variance Over (Under)
Community center:			
Salaries	$ 23,550	$ 19,167	$ 4,383
Payroll taxes	1,584	1,536	48
Instructors	1,250	1,200	50
Food cost	7,600	7,577	23
Supplies and printing	500	354	146
Advertising	375	00	375
Utilities	18,687	18,323	364
Monitoring fees	1,800	1,752	48
Miscellaneous	4,000	1,600	2,400
Total community center	59,346	51,509	7,837
Recreation department:			
Salaries	15,239	15,228	11
Payroll taxes	1,355	1,221	134
Employee benefits	4,644	4,656	(12)
Uniforms and equipment	16,038	16,723	(685)
Utilities and telephone	4,061	4,258	(197)
Insurance	5,239	4,999	240
Field supplies, repairs and maintenance	1,862	1,797	65
Fundraiser	1,280	1,280	00
Concession supplies	8,500	7,676	824
Referee officials	6,700	6,834	(134)
Tournament fees	2,900	2,989	(89)
Coaching expenditures	500	710	(210)
Miscellaneous	2,313	4,632	(2,319)
Repairs and maintenance	321	397	(76)
Sponsors	3,197	3,474	(277)
Administrative fee	1,995	1,995	00
Total recreation department	76,144	78,869	(2,725)
Highways and streets:			
Salaries	00	13,046	(13,046)
Payroll taxes	00	1,046	(1,046)
Street improvements	2,250	7,614	(5,364)
Street signs	100	82	18
Total highways and streets	2,350	21,788	(19,438)

See accompanying notes to budgetary comparison schedule.

City of Mt. Zion, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2009

	Original and Final Budget	Actual	Variance Over (Under)
Debt service:			
Principal	$ 00	$ 98,805	$ (98,805)
Interest	00	5,523	(5,523)
Total debt service	00	104,328	(104,328)
Total expenditures	635,097	761,346	(126,249)
Excess(deficiency) of expenditures over revenues	39,075	(43,210)	(82,285)
Other financing sources:			
Transfers in (out)	(39,075)	63,265	102,340
Total other financing sources	(39,075)	63,265	102,340
Excess of revenues and other financing sources over expenditures	$ 00	$ 20,055	$ 20,055

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.

OTHER SUPPLEMENTARY INFORMATION

City of Mt. Zion, Georgia
Budgetary Comparison Schedule – Water and Garbage Fund
For the Year Ended September 30, 2009

	Original and Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Water revenue	$ 181,350	$ 185,122	$ 3,772
Garbage revenue	47,813	48,638	825
Water and sewer tap fees	1,500	00	(1,500)
Late fees, service charges and reconnection fees	2,810	1,663	(1,147)
Miscellaneous	70	27	(43)
Total operating revenues	233,543	235,450	1,907
Operating expenses:			
Salaries	65,100	49,972	(15,128)
Payroll tax	5,638	4,005	(1,633)
Employee benefits	6,445	5,076	(1,369)
Vehicle and fuel expense	8,650	8,574	(76)
Depreciation	00	26,039	26,039
Office supplies and postage	2,825	1,579	(1,246)
Tools and equipment	6,500	00	(6,500)
Computer services	2,100	2,056	(44)
Water purchases	77,500	74,968	(2,532)
Garbage fees	39,075	39,066	(9)
Supplies and meters	2,500	10,875	8,375
Professional fees	13,000	6,534	(6,466)
Miscellaneous	9,385	8,260	(1,125)
Insurance	18,500	17,653	(847)
Repairs and maintenance	400	386	(14)
Administrative fee	15,000	12,500	(2,500)
Total operating expenses	272,618	267,543	(5,075)
Operating loss	(39,075)	(32,093)	6,982
Transfers from General Fund	39,075	19,338	(19,737)
Transfers from Capital Projects Fund	00	4,556	4,556
Net income (loss)	$ 00	$ (8,199)	$ (8,199)

City of Mt. Zion, Georgia
Schedule of Projects Constructed with Special Purpose
Local Option Sales Tax Proceeds
For the Year Ended September 30, 2009

Project	Original Estimated Cost	Expenditures Prior Years	Expenditures Current Years	Total
1993				
Street paving	$ 412,000	$ 445,515	$ 316	$ 445,831
Fire protection	10,000	3,805	00	3,805
Recreation facilities	20,000	20,349	56	20,405
	$ 442,000	$ 469,669	$ 372	$ 470,041
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	$ 208,938	$ 130,058	$ 338,996
Water – vehicle, equipment, improvements and feasibility study	115,000	57,224	3,536	60,760
Community development – renovation and city beautification	125,000	110,419	24,584	135,003
Public safety – vehicles and equipment	75,000	137,638	00	137,638
Roads – paving and repairs	300,000	231,379	18,425	249,804
General city – equipment and building renovations	85,000	26,578	1,285	27,863
	$ 900,000	$ 772,176	$ 177,888	$ 950,064
2008				
Recreation – land, vehicle, equipment and improvements to facilities	$ 500,000	$ 00	$ 6,483	$ 6,483
Water – vehicle, equipment, improvements and line extensions	420,000	00	1,020	1,020
Community development – City beautification and City library support	125,000	00	6,650	6,650
Public safety – vehicles and equipment	210,000	00	22,000	22,000
Roads – paving, repairs and equipment	500,000	00	1,165	1,165
General city – equipment, building renovations and ordinance updates	135,000	00	67	67
	$ 1,890,000	$ 00	$ 37,385	$ 37,385

City of Mt. Zion, Georgia
Schedule of CDBG Project Cost
September 30, 2009

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

Project Activity	Activity Number	Approved Budget	Accumulated Expenditures	Questioned Costs
Community Center	P-003.00	$ 500,000	$ 494,399	None
Total		$ 500,000	$ 494,399	

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.

CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2009, which collectively comprise the City of Mt. Zion, Georgia's financial statements and have issued our report thereon dated March 29, 2010. 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 deficiencies described in the accompanying schedule of findings to be significant deficiencies 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 deficiencies described are not material weaknesses.

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 & Tayor, P.C.

March 29, 2010

City of Mt. Zion, Georgia
Schedule of Findings and Responses
For the Year Ended September 30, 2009

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.

Financial Statement Preparation:

The City does not have employees with adequate training and expertise in generally accepted accounting principles and governmental accounting standards to prepare the financial statements and related footnotes which were prepared by the independent auditor.

Management Response/Corrective Action Plan:

We concur with this finding. The City will evaluate the cost/benefit implications of improving internal control by providing the technical expertise to accounting personnel and will continue to evaluate the adequacy and completeness of year-end financial reports prepared by the independent auditor.