CITY OF MOUNT ZION, GEORGIA

Financial Statements
For the Period October 1, 2012 to
December 31, 2012
and
Independent Auditor's Report

City of Mt. Zion, Georgia
Annual Financial Report
For the Year Ended September 30, 2012

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City of Mt. Zion, Georgia
City Officials
For the Year Ended September 30, 2012

Elected Officials

Mr. Randy Sims	Mayor
Mr. Keith Pike	Council
Mr. Earlis McGraw	Council
Mr. Andrew Richie	Council
Mr. Bobby Mullenix	Council

MICHELLE ROBINSON LLC
CERTIFIED PUBLIC ACCOUNTANT

MEMBER OF GEORGIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Mount Zion, Georgia

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Mount Zion, Georgia as of and for the period October 1, 2012 to December 31, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mount Zion's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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 basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Mount Zion, Georgia as of December 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the period October 1, 2012 to December 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 12, 2013, on my consideration of the City of Mount Zion, Georgia's internal control over financial reporting and on my tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 10 and budgetary comparison information on pages 34 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Mount Zion, Georgia's basic financial statements as a whole. The accompanying other supplemental 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mitchell Robinson LLC

June 12, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Mount Zion, Georgia
Management's Discussion and Analysis
For the Period October 1, 2012 to December 31, 2012

Our discussion and analysis of the City of Mt. Zion's financial performance provides an overview of the City's financial activities for the period October 1, 2012 to December 31, 2012. 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 for the period October 1, 2012 to December 31, 2012. All current period 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 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 period. 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 December 31, 2012 are $2,976,437. This is an increase from net assets at September 30, 2012 of $2,854,217. This includes $2,578,286 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 Activites		Business-Type Activites		Total	
	2012	2011	2012	2011	2011	2010
Cash	$ 167,817	$ 68,942	$ 75,620	$ 92,491	$ 243,437	$ 161,433
Receivables, net	160,120	164,259	46,577	40,159	206,697	204,418
Capital assets, net	2,297,731	2,294,840	350,517	363,011	2,648,248	2,657,851
Inventory	-	-	16,035	16,035	16,035	16,035
Prepaid expenses	13,946	9,854	-	-	13,946	9,854
Interal balances	(24,376)	(24,376)	24,376	24,376	-	-
						-
Total assets	2,615,238	2,513,519	513,125	536,072	3,128,363	3,049,591
Current liabilities	81,099	138,335	70,827	69,098	151,926	207,433
Net assets:						
Invested in capital assets, net of related debt	2,227,769	2,161,301	350,517	363,011	2,578,286	2,524,312
Restricted for capital projects	94,313	36,074	-	-	94,313	36,074
Unrestricted	212,057	177,809	91,781	103,963	303,838	281,772
Total net assets	$ 2,534,139	$ 2,375,184	$ 442,298	$ 466,974	$2,976,437	$ 2,842,158

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

Summary of Changes in Net Assets

	Governmental Activities		Business-Type Activites		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for service	$ 197,418	$ 207,281	$ 250,631	$ 242,938	$ 448,049	$ 450,219
Operating grants	-	-	-	-	-	-
Capital grants	236,059	232,245	-	-	236,059	232,245
General revenues:						
Sales taxes	129,707	122,447	-	-	129,707	122,447
Insurance premium taxes	79,550	68,635	-	-	79,550	68,635
Other taxes and misc.	226,183	223,374	-	-	226,183	223,374
Total revenues	868,917	853,982	250,631	242,938	1,119,548	1,096,920
Expenses:						
General government	258,212	232,338			258,212	232,338
Public safety	248,731	266,656			248,731	266,656
Library	11,447	1,260			11,447	1,260
Recreation and culture	135,543	113,861			135,543	113,861
Community center	63,121	79,646			63,121	79,646
Interest	2,494	15,123			2,494	15,123
Total	719,548	708,884				
Water			234,278	224,010	234,278	224,010
Garbage			31,443	34,818	31,443	34,818
Total			265,721	258,828		
Total expenses					985,269	967,712
Increase (decrease) in net assets before transfers	149,369	145,098	(15,090)	(15,890)	134,279	129,208
Transfers	9,586	(38,876)	(9,586)	38,876	-	-
Change in net assets	158,955	106,222	(24,676)	22,986	134,279	129,208
Beginning net assets	2,375,184	2,268,962	466,974	443,988	2,842,158	2,712,950
Ending net assets	$ 2,534,139	$ 2,375,184	$ 442,298	$ 466,974	$ 2,976,437	$ 2,842,158

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 period in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of $306,370.

The Major Governmental Funds

The General Fund is the City's primary operating fund. The fund balance of the General Fund increased from $177,809 to $212,057.

The SPLOST Fund is used to account for resources restricted for the acquisition or construction of specific capital projects from the Special Purpose Local Option Sales Tax. The fund balance of the SPLOST Fund increased from $36,704 to $94,313.

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 and transfers in the amount of $874,918. Amendments were made and approved by the council for allocation of departmental expenditures and total budgeted expenditures increased to $874,918.

Capital Assets

At December 31, 2012 the City had $2,740,069 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 6 to the basic financial statements.

Debt

At December 31, 2012, the City held two notes payable in the amount of $69,962. More detailed information about the City's debt is presented in Note 7.

City of Mt. Zion, Georgia
Statement of Net Assets
September 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	$ 167,817	$ 75,620	$ 243,437
Receivables, net	160,120	46,577	206,697
Inventory	-	16,035	16,035
Capital assets (non-depreciable)	701,589	-	701,589
Capital assets (depreciable), net	1,596,142	350,517	1,946,659
Prepaid expenses	13,946	-	13,946
Internal balances	(24,376)	24,376	-
Total assets	2,615,238	513,125	3,128,363
Liabilities:			
Accounts payable	11,137	12,173	23,310
Customer deposits	-	58,654	58,654
Note payable - current	69,962	-	69,962
Total liabilities	81,099	70,827	151,926
Net assets:			
Invested in capital assets, net of related debt	2,227,769	350,517	2,578,286
Restricted for capital projects	94,313	-	94,313
Unrestricted	212,057	91,781	303,838
Total net assets	$ 2,534,139	$ 442,298	$ 2,976,437

See accompanying notes to financial statements

City of Mt. Zion, Georgia
Statement of Activities
For the Year Ended September 30, 2012

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	$ 258,212	$ 14,726	$ -	$ 13,259	$ (230,227)	$ -	$ (230,227)
Public safety	248,731	57,474	-	25,389	(165,868)	-	(165,868)
Library	11,447	-	-	3,393	(8,054)	-	(8,054)
Recreation and culture	135,543	85,236	-	190,853	140,546	-	140,546
Community center	63,121	39,982	-	3,164	(19,975)	-	(19,975)
Interest on long-term debt	2,494	-	-	-	(2,494)	-	(2,494)
Total governmental activities	719,548	197,418	-	236,058	(286,072)	-	(286,072)
Business-type activities:							
Water	234,278	201,939	-	-	-	(32,339)	(32,339)
Garbage	31,443	48,692	-	-	-	17,249	17,249
Total business-type activities	265,721	250,631	-	-	-	(15,090)	(15,090)
Total primary government	$ 985,269	$ 448,049	$ -	$ 236,058	$ (286,072)	(15,090)	(301,162)
General revenues:							
Taxes:							
Property taxes					155,056	-	155,056
Insurance premium taxes					79,550	-	79,550
Franchise public service taxes					47,707	-	47,707
Sales taxes					129,707	-	129,707
Other taxes					17,668		17,668
Interest and investment earnings					251	-	251
Miscellaneous					5,502	-	5,502
Transfers					9,586	(9,586)	-
Total general revenues and transfers					445,027	(9,586)	435,441
Change in net assets					158,955	(24,676)	134,279
Net assets-beginning, as restated					2,375,184	466,974	2,842,158
Net assets-ending					$ 2,534,139	$ 442,298	$ 2,976,437

See accompanying notes to financial statements

City of Mt. Zion, Georgia
Balance Sheet
Governmental Funds
September 30, 2012

	General Fund	SPLOST Fund	Total Governmental Funds
Assets			
Cash and equivalents	$ 93,383	$ 74,434	$ 167,817
Receivables, net	140,241	-	140,241
Due from other funds	-	-	-
Prepaid expenses	13,946	-	13,946
Receivables from other governments	-	19,879	19,879
Total assets	$ 247,570	$ 94,313	$ 341,883
Liabilities			
Accounts payable	11,137	-	11,137
Due to other funds	24,376	-	24,376
Total liabilities	35,513	-	35,513
Fund balances			
Unreserved			
General fund	212,057	-	212,057
Reserved			
Capital projects fund	-	94,313	94,313
Total fund balances	212,057	94,313	306,370
Total liabilities and fund balances	$ 247,570	$ 94,313	
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			2,297,731
Capital leases payable and note payable are not due and payable in the current period and therefore are not reported in the funds			(69,962)
Net assets of governmental activities			$ 2,534,139

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, 2012

	General Fund	SPLOST Fund	Total Governmental Funds
Revenues			
Taxes	$ 429,688	$ -	$ 429,688
Interest	251	-	251
Miscellaneous	-	-	-
Intergovernmental	-	232,665	232,665
Recreation	85,236	-	85,236
Fines and forfeitures	57,474	-	57,474
Licenses and permits	1,735	-	1,735
Post office lease	9,696	-	9,696
Community center	39,982	-	39,982
Founders day income	3,295	-	3,295
Total revenues	627,357	232,665	860,022
Expenditures			
Current operating:			
General government	225,423	-	225,423
Public safety	234,934	-	234,934
Recreation and culture	121,697	-	121,697
Community center	43,791	-	43,791
Library	11,447	-	11,447
Capital outlays	-	61,216	61,216
Debt service:	-	-	-
Principal	-	102,210	102,210
Interest	-	2,494	2,494
Total expenditures	637,292	165,920	803,212
Excess (deficiency) of revenues over expenditures	(9,935)	66,745	56,810
Other financing sources:			
Transfer in (out)-Governmental Funds	-	-	-
Transfers in (out)-Water and Garbage Fund	-	(8,506)	(8,506)
Total other financing sources	-	(8,506)	(8,506)
Net change in fund balances	(9,935)	58,239	48,304
Prior period adjustment	-	-	-
Fund balances - beginning	221,992	36,074	258,066
Fund balances - ending	$ 212,057	$ 94,313	$ 306,370

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, 2011

Net changes in fund balances - total governmental funds			$ 48,304
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	$ 61,216	
	Depreciation	(79,762)	(18,546)
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.			102,210
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.			-
Change in net assets of governmental activities			$ 131,968

See accompanying notes to financial statements.

City of Mt. Zion, Georgia
Statement of Net Assets
Water and Garbage Fund
September 30, 2012

Assets	
Current assets:	
Cash	$ 75,620
Accounts receivable (net of allowance)	46,577
Inventory	16,035
Total current assets	138,232
Long-term assets:	
Capital assets:	
Property, plant and equipment	994,237
Accumulated depreciation	(643,720)
Total capital assets	350,517
Other assets (noncurrent):	
Due from other funds	24,376
Total long-term assets	374,893
Total assets	$ 513,125
Liabilities	
Current liabilities:	
Accounts payable	12,173
Customer deposits	58,654
Total current liabilities	70,827
Total liabilities	70,827
Net Assets	
Invested in capital assets	350,517
Unrestricted	91,781
Total net assets	442,298
Total liabilities and net assets	$ 513,125

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, 2012

Operating revenue:	
Charges for services	$ 250,631
Operating expenses:	
Water purchases	89,775
Salaries	65,290
Garbage fees	31,443
Depreciation	21,000
Insurance	18,248
Employee benefits	10,521
Payroll taxes	5,550
Professional fees	5,200
Lab testing	5,150
Vehicle and fuel expense	3,975
Office supplies and computer services	3,368
Supplies and meters	1,886
Printing and postage	1,443
Dues and subscriptions	1,041
Miscellaneous	632
Uniforms	768
Repairs and maintenance	431
Total operating expenses	265,721
Operating loss	(15,090)
Transfers out-General Fund	(18,092)
Transfers in-SPLOST	8,506
	(9,586)
Change in net assets	(24,676)
Net assets beginning of year, restated	466,974
Net assets end of year	$ 442,298

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, 2012

Cash flows from operating activities:	
Receipts from customers	$ 244,213
Payments for suppliers	(152,959)
Payments to employees	(89,775)
Net cash used by operating activities	1,479
Cash flows from noncapital financing activities	
Transfers from other funds, net	(18,350)
Net cash used by capital and related financing activities	(18,350)
Cash flows from capital and related financing activities:	
Purchase of capital assets	(8,506)
Transfers from other funds, net	8,506
Net cash used by capital and related financing activities	-
Net increase in cash and cash equivalents	(16,871)
Balances - beginning of year	92,491
Balances - end of year	$ 75,620
Reconciliation of operating income	
to net cash provided by operating activities:	
Operating loss	$ (15,090)
Adjustments to reconcile operating income to	
net cash provided by operating activities	
Depreciation expense	21,000
Change in assets and liabilities	
Receivables, net	(6,418)
Inventory	-
Customer deposits	560
Accounts payable	1,428
Net cash used by operating activities	$ 1,480

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 unliess those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statements 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 non-exchange 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. The fund is a major fund.

Proprietary Fund

Water and Garbage Fund

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

Note 1. Summary of Significant Accounting Policies – continued

1.C. Measurement Focus and Basis of Accounting

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

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type 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-type 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 "measureable and available." Measureable 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 outlays) 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 of 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 receivables 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. Non-exchange 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 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 required 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 and 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 December 31, 2012, 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 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 is reported as liabilities in the government 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 or 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 Accounting policies – continued

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

Equity Classifications

Government-wide Statements

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

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Non-spendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Mayor and City Council through the adoption of a resolution or motion. The Mayor and City Council also may modify or rescind the commitment.

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

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

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

- Committed
- Assigned
- Unassigned

Note 1. Summary of Accounting policies – continued

1.E. Revenues, Expenditures and Expenses

Program Revenues

Program revenues include charges paid by the recipients or 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. When an expense is incurred for purposes for which both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Interfund Transfers

Permanent reallocations 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.

1.F. Estimates

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

Note 2. Custodial Risk Related to Deposits

At December 31, 2012, the carrying amount of the City's deposits was $243,437 and the bank balances were $262,421. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The State of Georgia requires that all deposits with financial institutions be collateralized in an account equal to 110% of uninsured deposits. The City's deposits are fully insured or collateralized by securities held in the City's name.

Note 3. Property Tax

The City levies property taxes based on property values as of January 1 of each year. Taxes were levied on November 30, 2012, and were due on January 31, 2013.

Note 4. Receivables

Receivables as of December 31, 2012, consist of the following:

	General	SPLOST	Water and Garbage	Total
Receivables				
Property Tax	$ 18,086	$ -	$ -	$ 18,086
Accounts	136,616	-	62,103	198,719
SPLOST	-	19,879		19,879
Local option sales	10,783	-		10,783
Other	713	-		713
Less: Allowance	(25,957)	-	(15,526)	(41,483)
Totals	$ 140,241	$ 19,879	$ 46,577	$ 206,697

Note 5. Due From and Due to Other Funds

Individual fund interfund receivable and payable balances at December 31, 2012, were:

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

Interfund balances between the general fund and the water and garbage fund result from a loan made by the water and garbage fund to the general fund in a prior year to help with the cost of building the post office.

Note 6. Capital Assets

Capital assets activity for the year ended September 30, 2012 was as follows:

	Balance at October 1, 2011	Additions	Disposals	Balance at September 30, 2012
Governmental activities:				
Non-depreciable:				
Land	$ 167,630	$ -	$ -	$ 167,630
Construction in progress	533,959	-	-	533,959
Total non-depreciable	$ 701,589	$ -	$ -	$ 701,589
Depreciable:				
Land improvements	162,204	-	-	162,204
Buildings and improvements	1,069,710	-	-	1,069,710
Machinery and equipment	172,137	82,653	-	254,790
Vehicles	184,895	-	-	184,895
Infrastructure	835,439	-	-	835,439
Total depreciable	2,424,385	82,653	-	2,507,038
Less accumulated depreciation:				
Land improvements	73,908	9,595	-	83,503
Buildings and improvements	363,276	25,219	-	388,495
Machinery and equipment	128,740	2,882	-	131,622
Vehicles	152,240	18,480	-	170,720
Infrastructure	112,970	23,586	-	136,556
Total accumulated depreciation	831,134	79,762	-	910,896
Governmental activities capital assets (depreciable), net	$ 1,593,251	$ 2,891	$ -	$ 1,596,142
Business - type activities:				
Water system and tower	$ 853,209	$ -	$ -	$ 853,209
Equipment	106,492	8,506	-	114,998
Vehicles	26,031	-	-	26,031
	985,732	8,506	-	994,238
Less accumulated depreciation:				
Water system and tower	496,560	15,965	-	512,525
Equipment	97,121	756	-	97,877
Vehicles	29,040	4,279	-	33,319
Total accumulated depreciation	622,721	21,000	-	643,721
Business-type capital assets, net	$ 363,011	$ (12,494)	$ -	$ 350,517

Depreciation was charged to governmental activities as follows:

General government	$ 9,203
Public safety	13,797
Recreation and culture	13,846
Community center	19,330
Infrastructure	23,586
Total	$ 79,762

Note 7. Long Term Debt – Governmental Activities

During the year ended December 31, 2012, the following changes occurred in the governmental activities:

	Balance September 30, 2012	Additions	Reductions	Balance December 31, 2012	Amount Due Within 1 year
Notes payable	$ 165,934	$ 6,238	$ 102,210	$ 69,962	$ 69,962
	$ 165,934	$ 6,238	$ 102,210	$ 69,962	$ 69,962

Notes Payable

During the year ended September 30, 2010, the City began construction on a new recreation complex financed in part by a construction loan from a residual trust. The original amount drawn on the note was $245,033. The entire principal balance and any unpaid accrued interest is due at December 31 of each year, subject to renewal. The stated rate of interest is 5.5% per annum.

During the year ended September 30, 2011, the City purchased lighting for the new recreation complex financed by a loan from Kansas State Bank. The original amount drawn on the note was $64,787. Monthly payments of $1,518.50 are due monthly with a stated rate of interest at 5.5% per annum. Interest of $2,494 was expensed during the period October 1, 2012 to December 31, 2012.

Note 8. Interfund Transfers

Interfund transfers for the year ended December 31, 2012, were as follows:

Transfer from:	Transfer to Water and Garbage Fund
General Fund	$ (18,092)
SPLOST Fund	8,506
	$ (9,586)

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 following department's expenditures exceeded its budgeted appropriations by more than ten percent.

	Budget	Actual	Overage
Recreation	$ 97,990	$121,697	$(23,707)

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 January 1, 2012, was $243,315.

All full-time City employees with one year of service are eligible to participate in the system. Benefits vest after five 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 January 1, 2012, the current plan membership includes the following categories of participants:

Retirees and beneficiaries currently receiving benefits	0
Terminated employees entitles to benefits but not yet receiving them	3
Current active employees:	
Vested	3
Nonvested	8
Total membership in the plan	11

Note 10.Retirement Plan – continued

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 January 1, 2012.

Participant Data: The primary source of participant data for the current valuation is a census of all participants which was prepared as of January 1, 2012, 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, 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 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 January 1, 2012. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.75 percent a year, (b) projected salary increases of 3.5 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.

Note 10. Retirement Plan – continued

Actuarially Determined Contribution Requirements and Contribution Made

Contributions to the plan for 2012 of $20,107 are made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of January 1, 2012. The City contributes the entire amount (6.17 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	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll	Percentage of Covered Payroll [(b-a)/c]
7/1/2004	$ 18,866	$ 23,738	$ 4,872	79.5%	$ 191,153	2.6%
7/1/2005	28,425	33,759	5,334	84.2%	200,417	2.7%
7/1/2006	38,474	41,089	2,615	93.6%	195,600	1.3%
7/1/2007	49,983	38,919	(11,064)	128.4%	201,625	0.0%
7/1/2008	61,428	44,380	(17,048)	138.41%	149,518	0.0%
7/1/2009	58,824	54,555	(4,269)	107.83%	188,306	0.0%
1/1/2010	72,201	58,259	(13,942)	123.93%	188,306	0.0%
1/1/2011	82,883	80,692	(2,191)	102.72%	203,228	0.0%
1/1/2012	93,296	103,418	10,122	90.21%	243,315	0.0%

Fiscal Year Ending	Annual Pension Cost (APC)	of APC Contributed	Net Pension Obligation
7/1/2004	$ 8,026	100%	0
7/1/2005	8,752	100%	0
7/1/2006	9,405	100%	0
7/1/2007	7,611	100%	0
7/1/2008	6,606	100%	0
7/1/2009	7,505	100%	0
1/1/2010	7,994	100%	0
1/1/2011	12,877	100%	0
1/1/2012	20,107	100%	0

Note 11. Contingencies

There are 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 Three Rivers Regional Commission (TRRC). Assessed allocation of $1,696 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 a regional commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the regional commission in Georgia. The Commission 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 or a regional commission. Separate financial statements of the Center are available at the offices located on 120 North Hill Street, Griffin, Georgia.

City of Mt. Zion, Georgia
Budgetary Comparison Schedule-General Fund
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
Taxes:				
Local option sales tax	$ 140,000	$ 140,000	$ 129,707	$ (10,293)
Insurance premium tax	72,000	72,000	79,550	7,550
Franchise and public service tax	48,000	48,000	47,707	(293)
Property tax	143,650	143,650	155,056	11,406
Other taxes	12,612	12,612	17,668	5,056
	416,262	416,262	429,688	13,426
Licenses and permits:				
Business licenses	1,300	1,300	1,735	435
Intergovernmental:				
Grants	-	-	3,393	3,393
Charges for services:				
Rental income - P.O. lease	8,556	8,556	9,696	1,140
Founders Day program	2,000	2,000	3,295	1,295
Recreation programs	56,750	56,750	85,236	28,486
Community Center programs	43,800	43,800	39,982	(3,818)
	111,106	111,106	138,209	27,103
Fines and forfeitures	70,000	70,000	57,474	(12,526)
Interest	-	-	251	251
Miscellaneous	2,200	2,200	5,501	3,301
Total revenues	$ 600,868	$ 600,868	$ 636,251	35,383

See accompanying notes to budgetary comparison schedule.

City of Mt. Zion, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance (Over) Under
General government:				
Salaries	$ 65,947	$ 65,947	$ 67,358	$ (1,411)
Payroll taxes	5,605	5,605	6,494	(889)
Employee benefits	8,750	8,750	14,837	(6,087)
Office supplies and printing	2,450	2,450	3,016	(566)
Utilities and telephone	28,400	28,400	29,076	(676)
Insurance	25,000	25,000	30,508	(5,508)
Miscellaneous	1,200	1,200	2,347	(1,147)
Membership dues	1,700	1,700	1,583	117
Legal and accounting	14,700	14,700	12,242	2,458
Fuel	4,218	4,218	3,528	690
Election expense	3,000	3,000	1,174	1,826
Council salary	3,600	3,600	3,642	(42)
Repairs and maintenance	6,700	6,700	3,286	3,414
Inspection fees	600	600	120	480
Computer services	800	800	3,693	(2,893)
Advertising	1,500	1,500	2,943	(1,443)
Founders day	3,000	3,000	5,713	(2,713)
Street improvements	1,500	1,500	260	1,240
Street signs	500	500	-	500
Training	2,800	2,800	2,303	497
Community Center subsidy	31,300	31,300	31,300	-
Capital Outlay	-	-	-	-
Total general government	213,270	213,270	225,423	(12,153)
Public safety:				
Salaries	137,053	137,053	137,753	(700)
Payroll taxes	11,790	11,790	11,709	81
Employee benefits	13,500	13,500	17,171	(3,671)
Insurance	11,200	11,200	11,199	1
Vehicle repairs	6,000	6,000	5,026	974
Fuel	17,120	17,120	17,553	(433)
Supplies, printing and uniforms	2,950	2,950	1,404	1,546
Police officers' training and annuity fund	20,000	20,000	14,855	5,145
Training	3,250	3,250	2,756	494
Miscellaneous	1,000	1,000	642	358
Jail fees	10,000	10,000	7,224	2,776
Court cost	11,000	11,000	7,642	3,358
Capital Outlay			-	-
Total public safety	244,863	244,863	234,934	9,929

See accompanying notes to budgetary comparison schedule.

City of Mt. Zion, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance (Over) Under
Community center:				
Salaries	$ 17,200	$ 17,200	$ 17,104	$ 96
Payroll taxes	1,420	1,420	1,454	(34)
Food cost	6,500	6,500	5,347	1,153
Supplies and printing	1,350	1,350	559	791
Utilities	16,000	16,000	15,478	522
Youth supply expenses	350	350	152	198
Miscellaneous	75	75	295	(220)
Repairs and maintenance	4,000	4,000	3,402	598
Total community center	46,895	46,895	43,791	3,104
Recreation department:				
Salaries	29,000	29,000	30,835	(1,835)
Payroll taxes	2,295	2,295	2,621	(326)
Employee benefits	4,375	4,375	4,340	35
Uniforms and equipment	17,000	17,000	16,335	665
Utilities and telephone	6,500	6,500	14,492	(7,992)
Fuel	3,620	3,620	4,392	(772)
Insurance	3,000	3,000	3,000	-
Field supplies, repairs and maintenance	8,450	8,450	6,415	2,035
Fundraiser	1,500	1,500	2,639	(1,139)
Concession supplies	8,900	8,900	19,648	(10,748)
Referee officials	7,000	7,000	9,812	(2,812)
Tournament fees	1,500	1,500	1,458	42
Miscellaneous	2,100	2,100	5,054	(2,954)
Sponsors	2,750	2,750	656	2,094
Total recreation department	97,990	97,990	121,697	(23,707)
Library:				
Salaries	9,050	9,050	7,933	1,117
Summer reading program	1,050	1,050	1,065	(15)
Program activities	600	600	409	191
Miscellaneous	-	-	1,478	(1,478)
General supplies	400	400	562	(162)
Total library	11,100	11,100	11,447	(347)

See accompanying notes to budgetary comparison schedule.

City of Mt. Zion, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance (Over) Under
Total expenditures	$ 614,118	$ 614,118	$ 637,292	$ (23,174)
Excess (deficiency) of expenditures over revenues	(13,250)	(13,250)	(1,041)	12,209
Other financing sources:				
Transfers in (out)	13,250	13,250	48,157	34,907
Total other financing sources	13,250	13,250	48,157	34,907
Excess of revenues and other financing sources over expenditures	$ -	$ -	$ 47,116	$ 47,116

See accompanying notes to budgetary comparison schedule.

REQUIRED SUPPLEMENTARY INFORMATION

City of Mt. Zion, Georgia
Notes to Required Supplementary Information
December 31, 2012

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.

City of Mt. Zion, Georgia
Budgetary Comparison Schedule - Water and Garbage Fund
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
Operating revenues:				
Water revenue	$ 207,000	$ 207,000	$ 194,402	$ (12,598)
Garbage revenue	48,300	48,300	48,692	392
Water and sewer tap fees	1,500	1,500	4,500	3,000
Late fees, charges and reconnect fees	3,900	3,900	2,703	(1,197)
Miscellaneous	100	100	334	234
Total operating revenues	260,800	260,800	250,631	(10,169)
Operating expenses:				
Salaries	67,370	67,370	65,290	2,080
Payroll tax	5,430	5,430	5,550	(120)
Employee benefits	8,750	8,750	10,521	(1,771)
Vehicle and fuel expense	2,880	2,880	3,975	(1,095)
Depreciation	-	-	21,000	(21,000)
Office supplies	1,250	1,250	1,069	181
Printing and postage	2,100	2,100	1,443	657
Uniforms and safety equipment	800	800	768	32
Dues	846	846	1,041	(195)
Computer services	2,450	2,450	2,299	151
Lab testing	4,800	4,800	5,150	(350)
Water purchases	87,600	87,600	89,775	(2,175)
Garbage fees	38,000	38,000	31,443	6,557
Vehicle repairs and maintenance	2,300	2,300	120	2,180
Advertising	750	750	113	637
Training	700	700	17	683
Water line supplies	1,200	1,200	33	1,167
Small tools and equipment	3,000	3,000	1,853	1,147
Professional fees	8,200	8,200	5,200	3,000
Miscellaneous	1,425	1,425	502	923
Insurance	18,249	18,249	18,248	1
Repairs and maintenance	2,700	2,700	311	2,389
Total operating expenses	260,800	260,800	265,721	(4,921)
Operating loss	-	-	(15,090)	(15,090)
Transfers to general fund	-	-	(18,092)	(18,092)
Transfers from capital projects fund	-	-	8,506	8,506
Net income (loss)	$ -	$ -	$ (24,676)	$ (24,676)

See accompanying notes to budgetary comparison schedule.

City of Mt. Zion, Georgia
Schedule of Projects Constructed with
Special Purpose Local Option Sales Tax Proceeds
For the Year Ended September 31, 2012

Project	Estimated Cost	Prior Years	Current Year	Total
2008				
Recreation-land, vehicle, equipment and improvements to facilities	$ 500,000	$ 468,960	$ 19,405	$ 488,365
Water-vehicle, equipment, improvements and line extensions	420,000	10,864	8,506	19,370
Community development-beautification and library support	125,000	11,784	3,164	14,948
Public safety-vehicles and equipment	210,000	26,774	25,389	52,163
Roads-paving, repairs and equipment	500,000	87,372	3,906	91,278
General city-equipment, building renovations and ordinance updates	135,000	7,137	9,353	16,490
	$ 1,890,000	$ 612,891	$ 69,723	$ 682,614

Reconciliation of SPLOST Expenditures:	
Current Year Expenditures (above)	$ 69,723
Transfers To Water Fund	(8,506)
Transfer to General Fund	-
Debt Service Principal	102,210
Debt Service Interest	2,494
Total SPLOST Fund Expenditures	$ 165,921

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*

MICHELLE
ROBINSON LLC
CERTIFIED PUBLIC ACCOUNTANT

MEMBER OF GEORGIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

I have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the remaining fund information of the City of Mt. Zion, Georgia as of and for the period October 1, 2012 to December 31, 2012, which collectively comprise the City of Mt. Zion, Georgia's basic financial statements and have issued my report thereon dated June 12, 2013. I conducted my 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 my audit, I considered the City of Mt. Zion, Georgia's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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 I do not express an opinion on the effectiveness of the City of Mt. Zion, Georgia's internal control over financial reporting.

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 material weakness is a deficiency, or combination of significant deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My 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 internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies in internal control over financial reporting. The findings are identified as 12-01 and 12-02 in the accompanying schedule of findings and responses. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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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, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

I also noted certain other matters that I reported to management of City of Mt. Zion, Georgia, in a separate letter dated June 12, 2013.

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

This report is intended solely for the information and use of management, the City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Michelle Robinson LLC

June 12, 2013

City of Mt. Zion, Georgia
Schedule of Findings and Responses
For the Period October 1, 2012 to December 31, 2012

2012 -1 Reporting:

Criteria: Preparation of the annual financial statements in accordance with generally accepted accounting principles in the culmination of the financial reporting process.

Condition: The City does not have the expertise to prepare the annual financial statements in accordance with generally accounting principles.

Cause: Current City employees do not have the expertise required to prepare the annual financial statements.

Effect: The City must rely on its auditors to prepare the annual financial statements.

Recommendation: The City should consider providing training opportunities to current staff and/or consider supplementing that staff by hiring a consultant.

Management Response: We concur. However, the City does not have the resources to justify hiring an employee, or consultant, with the specialized training and experience necessary to perform these duties.

2012 -2 Segregation of Duties:

Criteria: Segregation of duties is an important element of internal control over financial reporting. It provides the base on which other internal controls are established.

Condition: Adequate segregation of duties over cash receipts and disbursements is not present.

Cause: The size of the City's staff limits the duties that can be segregated among staff members.

Effect: Because of the failure to separate control over cash, potential errors or fraud may go undetected.

Recommendation: The City should segregate duties among staff and implement compensating internal controls in areas where segregation of duties is not attainable.

Management Response: We concur. The City will consider segregation of duties as practical and will consider compensating controls in areas where segregation is not practical.