CITY OF SANDERSVILLE, GEORGIA

FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	3 - 14
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18 - 19
Statement of Net Assets - Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22 - 23
Notes to Basic Financial Statements	24 - 47
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund	48 - 49
OTHER SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet - Nonmajor Governmental Funds	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	51
Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual - Hotel/Motel Tax Special Revenue Fund	52
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual -Community Development Block Grant Fund (2009)	53

	PAGE
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual -Community Development Block Grant CHIP Fund (2009)	54
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual -Community Development Block Grant Fund (2012)	55
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) to Actual – Confiscated Assets Special Revenue Fund	56
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) to Actual – Transportation Enhancement Grant Special Revenue Fund	57
Schedule of Expenditures Compared to Budget (GAAP Basis) – General Fund	58 – 59
Schedule of Projects Constructed with Special Sales Tax Proceeds	60
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	61 – 62
Schedule of Findings and Questioned Costs	63

WRIGHT & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
130 NORTH HARRIS STREET • POST OFFICE BOX 1014
SANDERSVILLE, GEORGIA 31082
email: wwpc@wrightandwrightpc.com

CLYDE K. WRIGHT, CPA
BRIAN K. WRIGHT, CPA

TELEPHONE (478) 552-6146
FACSIMILE (478) 552-6158

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council
City of Sandersville, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sandersville, Georgia, as of and for the year ended 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 Sandersville, Georgia'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 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 respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sandersville, Georgia, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows 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 issued our report dated June 10, 2013 on our consideration of the City of Sandersville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 48 through 49 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Sandersville, Georgia's basic financial statements. The schedule of projects constructed with special sales tax proceeds and the other schedules included in other supplementary information as described in the accompanying table of contents, are presented for the purpose of additional analysis and are not a required part of the basic 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wright & Wright, P.C.

June 10, 2013

CITY OF SANDERSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

Within this section of the City of Sandersville, Georgia's (the City's) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2012. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and footnote disclosures following this section.

FINANCIAL HIGHLIGHTS

The City of Sandersville's total assets exceeded its total liabilities by $32,115,401 in 2012; a 5.14% decrease from $33,853,824 in 2011. Of this amount, $16,057,965 (unrestricted net assets) may be used to meet the government's ongoing obligations.

The City's combined governmental funds reported a total ending fund balance of $2,277,568, a decrease of $3,675 or .2% in comparison to the prior year. The 2005 Capital Projects Fund decreased by $397,874 resulting from drawing down 2005 SPLOST funds while the 2009 Capital Projects Fund increased by $165,602 or 20.1%. At the end of the current fiscal year, fund balance for the general fund was $560,778 which equals 12.5% of total general fund expenditures. This amount is available for budgetary spending at the government's discretion, as it is unreserved fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the City of Sandersville's basic financial statements. The basic financial statements are comprised of three components 1) government-wide financial statements, 2) fund financial statements and, 3) notes to the financial statements. This report also includes supplementary information in addition to these basic financial statements.

Government-wide Financial Statements

The City's report includes two government –wide financial statements. The focus of these statements is on the overall financial position and activities of the City of Sandersville as a whole, in a manner similar to a private sector business. These statements use the full accrual basis of accounting.

The first government-wide statement is the **Statement of Net Assets.** This is the City-wide statement of position which presents information on all assets and liabilities with the difference between the two reported as *Net Assets.* Over time, increases or decreases in net assets may serve as a useful indicator of the financial health of the City.

The second government-wide statement is the **Statement of Activities.** This report presents how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of the timing of related cash flows. A primary purpose of the Statement of Activities is to identify the net costs of various functions and services provided by the City and to determine the extent to which each function is self supporting by program revenues or is subsidized by general revenues.

The governmental activities of the City of Sandersville include general government, public safety, street department, recreation, cemetery, and housing and economic development. Business type activities include water and sewer, electrical, telecom and solid waste. The government-wide financial statements include not only the funds of the City but also the discretely presented component unit, Downtown Development Authority of Sandersville. Financial information for this component unit is reported separately from the primary government, although included on the government-wide statements. The City's government-wide financial statements are presented on pages 15-16 of this report.

Fund Financial Statements

A fund is an accounting entity used to maintain control over resources segregated for specific activities or objectives and to ensure compliance with financial or legal laws and regulations. Major funds are reported in separate columns with all non-major funds reported in the aggregate. Individual financial information for these non-major funds is provided in combining statements in the supplemental information. The City has two kinds of funds: governmental and proprietary.

Governmental Funds

Governmental funds are used to account for basically the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental funds financial statements focus on short term fiscal accountability as well as balances of expendable resources at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of short term financial decisions. Since these statements do have a different perspective and use different accounting methods to generate the financial information, reconciliations of the Governmental Fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance are presented to facilitate this comparison.

The City of Sandersville maintains nine individual governmental funds. Information is presented separately for the General Fund, Capital Projects (2005 SPLOST) Fund, and Capital Projects (2009 SPLOST) Fund, all considered major funds. The other funds are combined into a single aggregated presentation. Individual data for each of these non-major governmental funds is provided in the form of combining statements on pages 50-51 of this report.

Budgetary comparison schedules are included for the General Fund as required supplementary information immediately after the notes to the financial statements. Budgetary comparison schedules for the special revenue funds are included in the supplemental information section. These schedules demonstrate compliance with the final revised budgets.

The basic governmental fund financial statements are presented on pages 17-19 of this report.

Proprietary Funds

Proprietary funds are reported in the fund financial statements and generally report services where the customer is charged a fee or where the determination of an increase or decrease in net assets is appropriate for capital maintenance, public policy, management control or full accountability. There are two types of proprietary funds; enterprise funds and internal service funds. The City currently has no internal service funds.

Enterprise funds essentially encompass the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations, electrical services, telecommunications services and solid waste operations.

The City reports the water and sewer, electrical, telecom and solid waste funds all as major funds with no non-major funds to be presented in the aggregate. The City's proprietary funds are presented on pages 20-23.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are presented on pages 24-47 of this report.

Required Supplementary Information

The budgetary comparison schedules for the General Fund are provided for budget compliance presentation. These schedules are presented on pages 48-49.

Other Supplemental Information

Other supplemental information includes combining individual fund statements for non-major funds aggregated in the basic financial statements as well as budgetary comparisons for non-major governmental funds. Also included in this section is the report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards.* This supplemental information is presented on pages 50-63.

A schedule of projects constructed with SPLOST (Special Purpose Local Option Sales Tax) proceeds is presented in this section on page 60. This schedule shows expenditures for the 2005 and 2009 SPLOST issues.

FINANCIAL ANALYSIS OF THE CITY'S POSITION AND OPERATIONS

Net Assets

The City's overall financial position and operations for this fiscal year is summarized as follows based on information found in the government-wide financial statements on pages 15-16.

Summary of Net Assets (Financial Position)

	Governmental Activities		Business-type Activities		Total		Variance
	2012	2011	2012	2011	2012	2011	
Assets:							
Current assets	$ 2,385,961	$ 2,320,611	$ 17,167,565	$ 18,916,438	$ 19,553,526	$ 21,237,049	$ (1,683,523)
Capital assets	7,331,444	7,214,527	10,010,362	10,385,448	$ 17,341,806	$ 17,599,975	(258,169)
Other noncurrent assets	-	-	12,231	13,154	12,231	13,154	(923)
Total assets	9,717,405	9,535,138	27,190,158	29,315,040	36,907,563	38,850,178	-1,942,615
Liabilities:							
Current liabilities	104,479	33,758	1,215,420	1,279,223	1,319,899	1,312,981	6,918
Long-term liabilities	-	-	3,472,263	3,683,373	3,472,263	3,683,373	(211,110)
Total liabilities	104,479	33,758	4,687,683	4,962,596	4,792,162	4,996,354	(204,192)
Net assets:							
Investment in capital assets, net of debt	7,331,444	7,214,527	6,327,042	6,499,359	13,658,486	13,713,886	(55,400)
Restricted	1,774,915	1,999,250	624,035	-	2,398,950	1,999,250	399,700
Unrestricted	506,567	287,603	15,551,398	17,853,085	16,057,965	18,140,688	(2,082,723)
Total net assets	$ 9,612,926	$ 9,501,380	$ 22,502,475	$ 24,352,444	$ 32,115,401	$ 33,853,824	$ (1,738,423)

As noted, the overall assets of the City decreased $1,942,615 from 2011 with the largest decrease occurring in current assets. The City's total liabilities decreased $204,192, or 4.1%, with the largest decrease in long-term liabilities. Overall the City's total net assets decreased $1,738,423 or 5.14% from 2011. This is compared to an increase in net assets from the previous year of $111,082. The unrestricted portion of net assets of $16,057,965 which is available for spending comprises 50% of the City's total net assets. This decreased $2,082,723 or 11.5% from 2011.

Changes in Net Assets

The following condensed financial information was taken from the Government-wide Statement of Activities and reflects how the City of Sandersville's net assets changed during the fiscal year.

Summary of Changes in Net Assets

	2012				2011			
	Governmental Activities	Business Activities	Total	Percentage of Total	Governmental Activities	Business Activities	Total	Percentage of Total
Revenues:								
Program Revenues:								
Charges for services	$ 320,319	$ 12,702,490	$ 13,022,809	74%	$ 335,315	$ 12,307,333	$ 12,642,648	71%
Operating grants and contributions	244,754	-	244,754	1%	1,047,442	-	1,047,442	6%
Capital grants and contributions	639,691	-	639,691	4%	791,992	-	791,992	4%
General Revenues:								
Property taxes	880,371	-	880,371	5%	676,042	-	676,042	4%
Sales tax	1,043,003	-	1,043,003	6%	1,025,890	-	1,025,890	6%
Other taxes	1,579,068	-	1,579,068	9%	1,522,096	-	1,522,096	9%
Interest earnings	58	22,951	23,009	0%	-	11,866	11,866	0%
Miscellenaeous	249,693	11,782	261,475	1%	186,142	-	186,142	1%
Total revenues	4,956,957	12,737,223	17,694,180	100%	5,584,919	12,319,199	17,904,118	100%
Program Expenses:								
General government	1,320,955	-	1,320,955	7%	1,405,454	-	1,405,454	8%
Public safety	2,481,147	-	2,481,147	13%	2,482,739	-	2,482,739	14%
Street department	789,315	-	789,315	4%	972,154	-	972,154	5%
Public Works Administration	151,793		151,793	1%	149,833		149,833	1%
Recreation	73,006	-	73,006	0%	95,681	-	95,681	1%
Cemetery	149,279	-	149,279	1%	141,238	-	141,238	1%
Housing & Economic Devel.	213,639	-	213,639	1%	664,062	-	664,062	4%
Interest on long-term debt	-	-	-	0%	-	-	-	0%
Water and sewer	-	1,697,807	1,697,807	9%	-	1,734,733	1,734,733	10%
Electrical	-	11,382,322	11,382,322	59%	-	8,965,378	8,965,378	50%
Telecommunications	-	349,247	349,247	2%	-	356,450	356,450	2%
Solid waste	-	824,093	824,093	4%	-	825,314	825,314	5%
Total expenses	5,179,134	14,253,469	19,432,603	100%	5,911,161	11,881,875	17,793,036	100%
Increase (decrease) in net assets before transfers	(222,177)	(1,516,246)	(1,738,423)		(326,242)	437,324	111,082	
Transfers	333,723	(333,723)	-		367,000	(367,000)	-	
Change in net assets	111,546	(1,849,969)	(1,738,423)		40,758	70,324	111,082	
Beginning net assets	9,501,380	24,352,444	33,853,824		9,460,622	24,282,120	33,742,742	
Ending net assets	$ 9,612,926	$ 22,502,475	$ 32,115,401		$ 9,501,380	$ 24,352,444	$ 33,853,824	

Revenues

The City's total revenues decreased $209,938 from 2011 or 1.2%. This decrease occurred mainly in governmental activities in operating grants and contributions and in capital grant and contributions. The operating grants and contributions were for CHIP funds and Washington County reimbursements for Fire and Animal Control services. Capital Grants and contributions accounts for Community Development Block Grants (CDBG) to fund infrastructure improvements. Property taxes increased in 2012 by $204,329, or 30.2%, due to an increase from 3 to 3.9 mills in the City's millage rate in order to address the continued decline in property values. Total governmental activities revenues decreased in 2012 by $627,952, or 11.2%. Total business activities revenues increased from $12,319,199 in 2011 to $12,737,223 in 2012 for a 3.4% increase.

Expenses

Total operational expenses for 2012 increased $1,639,567 or 9.2%. Governmental Activities expenses decreased $732,027, or 12.4%, from 2011. The majority of this decrease was in housing and economic development which decreased by $450,423 or 67.8% in 2012. Total business activities expenses increased $2,371,594, or 20% from 2011. This is directly related to an increase in the purchase of power in the Electric Fund resulting from market conditions and the City's current excess power supply. Electric Fund expenses increased by $2,416,944, or 27% while Water and Sewer Fund expenses decreased in 2012 by $36,926, or 2.1%. The Solid Waste Fund and telecommunications fund both experienced decreases in expenses in 2012 of $1,221, or 0.1% and $7,203, or 2%, respectively.

The overall change in net assets for 2012 was ($1,738,423) which was a $1,849,505, or 1,665%, decrease from the 2011 overall change in net assets. Again, this is a direct result of the City's increase in the purchase of power in the electric fund where the expenses increased $2,129,361, or 28.8%, from 2011. The City remains proactive in our efforts to aggressively solicit commercial and industrial customers, particularly those who will require a significant power supply in order to operate and will reduce the City's current excess capacity.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

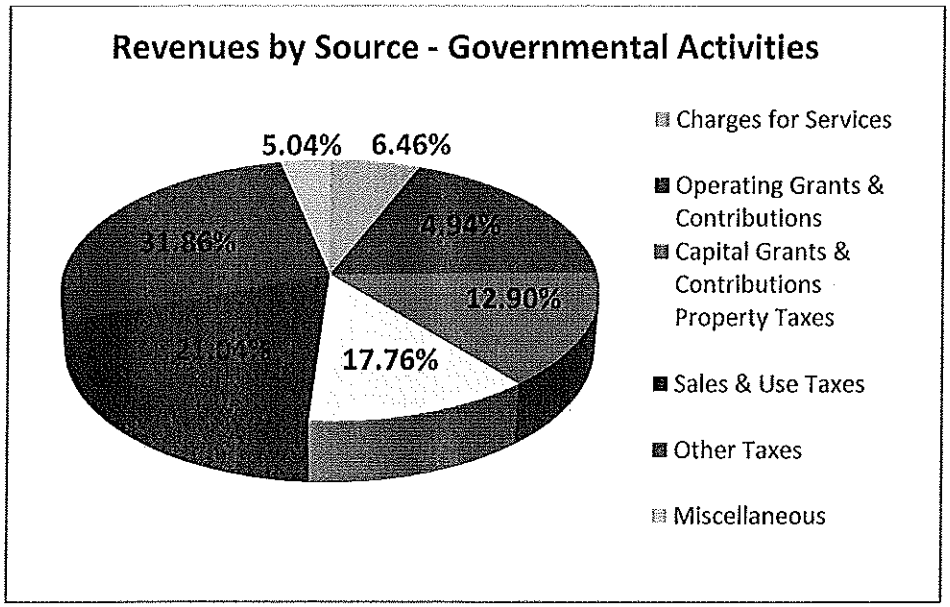
The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year or for use during the fiscal year to balance cash flow needs.

At the end of the current fiscal year, the City of Sandersville's governmental funds reported combined ending fund balances of $2,277,568, a decrease of $3,675, or 0.2%, in comparison to the prior year. Of the total fund balance, $502,653, or 22.1%, constitutes unreserved fund balance which is available for spending at the government's discretion. Of the total fund balance, $560,778 is reported in the general fund, $1,426,581 in capital projects funds, and $290,209 in other governmental funds.

Governmental Revenues

Governmental charges for services decreased slightly by $14,996 from the prior year while operating grants and contributions decreased by $802,688, primarily from CDBG grant funds. Capital grants and contributions decreased from $791,992 in 2011 to $639,691 in 2012 for a 19.2% decrease. Property taxes increased from $676,042 in 2011 to $880,371 in 2012 for a 30.2% as a result of a millage rate increase to offset declining property values. Sales tax again experienced a slight increase and from $1,025,890 in 2011 to $1,043,003 in 2012. Franchise taxes increased only slightly from $1,061,231 in 2011 to $1,092,615 in 2012, or 2.9%, while insurance premium taxes increased from $277,298 in 2011 to $294,536 in 2012 for a 5.9% increase.

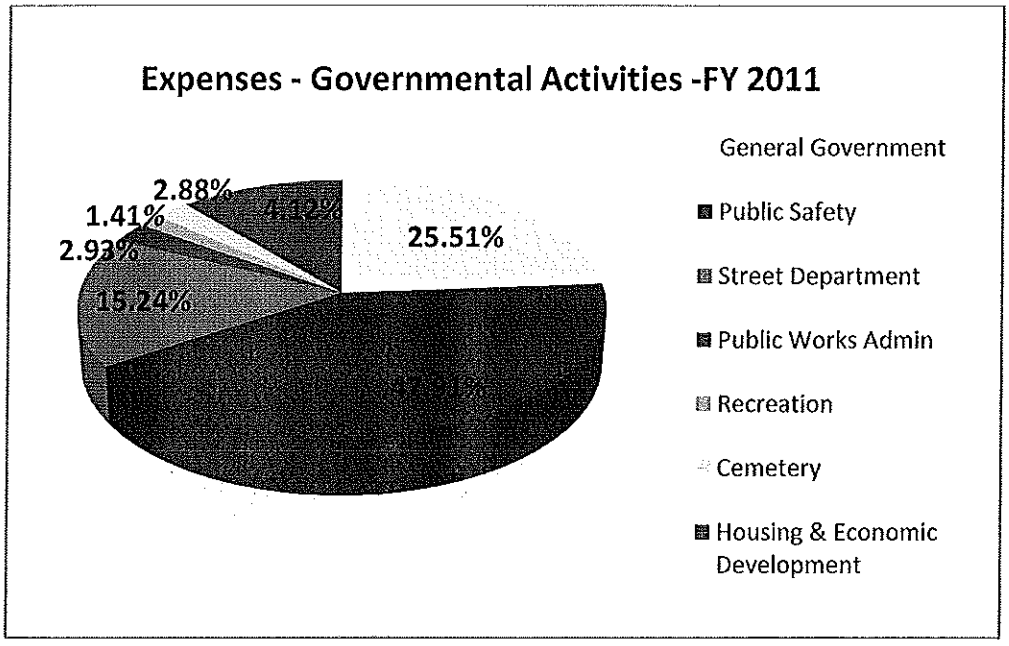
The following chart depicts the allocation by source of all governmental activities revenue.



Governmental Functional Expenses

General Government expenses decreased by $84,499 or 6.0%. Public Safety expenses decreased $1,592 or 0.1%. Streets also experienced a decrease in 2012 of $182,839, or 18.8%. Recreation expenses decreased in 2012 by $22,675, or 23.7%, while Cemetery experienced an increase in expenses of $8,041, or 5.7%. Housing and Economic Development expenses decreased in 2012 by $450,423 or 67.8% primarily in CDBG and GHIP grant funds.

The following chart depicts the expenses of the governmental activities for the Fiscal year.



The public safety function comprises 47.9% of the City's total governmental activity expenses and 12.8% of the total City expenses in fiscal year 2012. In fiscal year 2011 the figures were 42% and 13.9% respectively. In fiscal year 2012, general government totaled 25.5% of the total governmental activity expense, and 6.8% of the total City expenses. In fiscal year 2011, general government totaled 23.78% of total governmental activity expenses and 7.9% of the total City expenses.

The following table presents the cost of each of the City's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the City's taxpayers by each of these functions.

	Governmental Activities			
	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government	$ 1,320,955	$ (1,170,839)	$ 1,405,454	$ (1,239,772)
Public Safety	2,481,147	(2,131,305)	2,482,739	(2,109,427)
Street Department	789,315	(149,624)	972,154	(180,162)
Public Works Administratio	151,793	(151,793)	149,833	(149,833)
Recreation	73,006	(73,006)	95,681	(95,681)
Cemetery	149,279	(149,279)	141,238	(141,238)
Housing/Econ Development	213,639	(148,524)	664,062	179,701
Total	5,179,134	$ (3,974,370)	5,911,161	$ (3,736,412)

General Fund

General Fund Revenues

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. At the end of the current fiscal year, the fund balance of the general fund was $560,778 while the total fund balance for all governmental funds was $2,277,568. The General Fund's fund balance increased by $278,785 in fiscal year 2012 as a result of increased revenue in property taxes, sales taxes, franchise taxes and insurance premium taxes, in addition to decreased expenses in general government, public safety and the street department.

Total taxes in the general fund were $3,464,804 in 2012 which was $276,358 (8%) higher than in fiscal year 2011. Licenses and permits decreased by10.4% as a result of the continued decline in housing and commercial building markets while fines and fees increased by 4.4% in 2012. Intergovernmental revenues decreased from $195,540 in 2011 to $174,196 in 2012; a decrease of $21,344 or 12.3%. Other revenues experienced an increase of $54,825 or 22% in 2012.

General Fund Expenditures

General Government expenditures decreased by $35,259 or 3.2% in 2012 while public safety expenditures decreased by .5%, or $10,827. Street department expenditures decreased from $781,565 in 2011 to $648,035 in 2012, or 20.6%, while recreation expenditures decreased in 2012 from $92,762 to $70,087, or 32.4%. Cemetery as well as housing and economic development saw increases in expenditures in 2012 of $11,245, or 8%, and $15,006, or 12.2%, respectively.

Transfers in from other funds in 2012 totaled $568,050. The City transferred $400,000 to the General Fund from the Electric Fund, $150,000 to the General Fund from the Water & Sewer Fund, and $18,050 to the General Fund from the Hotel/ Motel Tax Fund in 2012. There were no transfers out of the General Fund in 2012.

Other Fund Activities

Capital Projects Fund

The 2005 Capital Projects Fund had a net decrease in fund balance of $397,874 in 2012 while the 2009 Capital Projects Fund had a net increase in fund balance of $165,602 in 2012. This is a result of drawing down 2005 SPLOST funds for capital projects and increasing collections in 2009 SPLOST funds.

Other Governmental Funds

The City's other (non-major) governmental funds are Special Revenue funds which account for the 3% Hotel/ Motel taxes levied by the City, CDBG funds, TE Grant funds, CHIP funds, and Confiscated Assets funds. The City recognized $39,392 in revenues in the Hotel/Motel Tax fund in 2012 and $11,840 in expenditures with an ending fund balance of $326,346. The CDBG fund (2009) received $133,346 in revenues and expended $131,647 in 2012 while the CDBG fund (2012) and the TE Grant fund both received no revenues in 2012 and expended $24 and $32,077, respectively. The CHIP fund received $62,100 and expended $86,285 in 2012. The Confiscated Assets fund recognized $9,486 in revenues and $14,589 in expenditures in 2012 with an ending fund balance of $2,041.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, reporting both short-term and long-term information about financial status. Each of the fund statements give detailed information about their financial condition. The City maintains four enterprise funds that account for activities of the City that are operated like a business. These funds include the Water & Sewer Fund, the Electrical Fund, the Telecom Fund, and the Solid Waste Fund.

Each specific fund reported the following operating income or loss:

	2012		2011	
	Amount	Percent Change	Amount	Percent Change
Water and sewer fund	$ 207,411	70.8 %	$ 121,415	145.80 %
Electric fund	$(1,448,738)	(322.4)%	$ 651.438	(130.90)%
Telecom fund	$ (152,383)	(13.4)%	$ (134,404)	(21.0)%
Solid waste fund	$ (6,272)	93.3%	$ (93,639)	(2.6)%

Water & Sewer Fund

The operating income in the Water & Sewer fund increased by $85,996, or 41.5% in 2012. The Water/Sewer revenues increased by $18,489, or 1.1%, while the operating expenses decreased from $1,614,317 in 2011 to $1,546,810, or 4.4%.

Electric Fund

The City's electric fund's operating income decreased by 145% from $651,438 in 2011 to ($1,448,738) in 2012. This decrease is primarily due to the increase in the cost to purchase power from $7,406,325 in 2011 to $9,535,686 resulting from increased market pressures and the City's excess power capacity. The revenues in this fund increased from $9,616,816 in 2011 to $9,933,584 in 2012, or 3.3%, over the prior year while the expenses also increased in 2012 by $2,416,944, or 21.2%.

Telecom Fund

The Telecom fund continues to experience a loss in operating income which decreased by $155,440 in 2009, $162,676 in 2010, $134,404 in 2011 and $152,383 in 2012. Total operating revenues for 2012 were $196,864 while total operating expenses were $349,247. The net assets in this fund at year end in 2012 totaled $645,037 which was a decrease from fiscal year 2011 of $77,383. In 2012 the City contracted with Electric Cities of Georgia for a cost of service study to determine the continued viability of remaining in the telecommunications business. A decision on the future of the Telecom fund should be made by 2013 fiscal year end.

Solid Waste Fund

The operating income in the solid waste fund decreased slightly by $6,272 in 2012; however, this fund has also experienced decreases in 2009 of $135,839, in 2010 of $96,114 and in 2011 of $93,639. Total operating revenues in 2012 were $817,821, an increase from 2011 of 10.5%. Operating expenses for 2012 were $824,093, a decrease from 2011 of .1%. In 2008, the City outsourced residential and commercial collection of garbage but retained the leaf and limb service. Prior to the expiration of this five year contract at the end of 2013 the City is currently researching alternative methods of providing this service.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, can be found on pages 48-49. The original and final budgets anticipated an appropriate use of fund balance as a result of local and national economic conditions. Actual revenues exceeded the final budgeted amount by $353,422 primarily resulting from receiving $86,994 in local option sales taxes and $102,119 in franchise taxes more than was anticipated in the final budget. Actual total operating expenditures of $4,489,671 were $71,527 less than projected in the final budget. The fund balance at the beginning of FY 2012 of $281,993 increased to $560,778 at year end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Sandersville has invested $17,341,806 in capital assets net of debt, with $7,331,444 in governmental activities and $10,010,362 in business-type activities. This investment in capital includes land, buildings and fixtures, improvements, machinery and equipment, vehicles, and infrastructure. This City's investment in capital assets decreased 1.5% for the current fiscal year. Additional information on the City's capital assets can be found on page 35-36 of this report.

Capital assets held by the City at the end of the current fiscal year are summarized as follows:

Capital Assets (net of depreciation)
as of December 31, 2012

	Governmental Activities		Business Activities		Total	
	2011	2012	2011	2012	2011	2012
Non-depreciable assets:						
Land	$ 960,416	$ 960,416	$ 222,257	$ 222,257	$ 1,182,673	$ 1,182,673
Construction in progress	731,537	148,261	-	34,289	731,537	182,550
Total non-depreciable	1,691,953	1,108,677	222,257	256,546	1,914,210	1,365,223
Depreciable assets:						
Buildings	3,082,199	3,105,949	459,109	459,109	3,541,308	3,565,058
Improvements other than buildings	-	-	-	-	-	-
Machinery and equipment	4,210,110	5,084,927	4,051,861	4,253,948	8,261,971	9,338,875
Infrastructure	1,662,759	1,880,430	22,238,012	22,374,515	23,900,771	24,254,945
Total depreciable assets	8,955,068	10,071,306	26,748,982	27,087,572	35,704,050	37,158,878
Less accumulated depreciation	3,432,494	3,848,539	16,585,791	17,333,756	20,018,285	21,182,295
Book value - depreciable assets	7,214,527	7,331,444	10,385,448	10,010,362	17,599,975	17,341,806
Percentage depreciated	38%	38%	62%	64%	56%	57%

Long-term Debt

At the end of fiscal year 2012 the City's enterprise funds reported $3,683,320 in notes payable for various capital outlays for the water and sewer system. This is a decrease of $202,769 from the prior year resulting from payments of $202,769 that were made in 2012 to the Georgia Environmental Facilities Authority (GEFA) to reduce the outstanding principal on four notes.

As in the prior year, the City's governmental activities reported no outstanding debt.

Outstanding Debt

Governmental Activities		Business-type Activities		Totals		Percentage Change
2012	2011	2012	2011	2012	2011	
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
-	-	3,683,320	3,886,089	3,683,320	3,886,089	-5.2%
$ -	$ -	$ 3,683,320	$ 3,886,089	$ 3,683,320	$ 3,886,089	-5.2%

Additional information on the City's long-term debt can be found on pages 36-37 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The unemployment rate for Washington County is currently 10.4%, slightly down from 10.8% in 2011 and significantly down from the peak 15.9% in 2009 resulting from the decline in the Kaolin industry in Washington County and the 2009 economic recession. During the recession Trojan Battery, along with other area industries, reduced or stopped production altogether as a result of the economic downturn. However, with evidence of improvement in the local labor market as indicated in the decrease in the unemployment rate over the last three years and with recent activity by industries in the City and Washington County we are optimistic about the continued improvement in the local economy. Trojan Battery is making considerable progress to re-open their Sandersville plant in the coming months and to produce a new product line which will require higher skilled labor and offer increased salary levels. Duraline, has expanded their production line in the last year and the City will be welcoming a new industry, General Biofuels, who plans to locate in Sandersville in 2014. The City Council continues to work with the Washington County Development Authority to attract new industry to the community that will provide additional employment opportunities.

The City of Sandersville, like many other cities, experienced the impact of the economic recession with declining general fund revenues particularly in Local Option Sales Tax which decreased from $1,286,080 in 2008 to $862,637, or 33% in 2009. While LOST revenues have not returned to the 2008 level they have improved significantly from 2009 with $1,043,003 received in 2012. The gross property tax digest for the City of Sandersville which had declined for the previous three years from $268,357,109 in 2008 to $235,715,971 in 2011, increased in 2012 to $243,916,941. To address the decrease in the digest and ad valorem tax revenues in previous years, the City Council adopted a 4.5 millage rate in 2012 which was an increase over the previous 3.9 mills adopted in 2011. In recent years the City's property tax collection rate has not experienced a decrease and we have not seen an increase in delinquent accounts. Other revenue concerns for the City include franchise taxes and insurance premium taxes, both of which decreased significantly in the economic downturn and have not recovered to 2009 levels. The city received $1,273,876 in franchise taxes in 2009 and $1,092,615 in 2012, and $340,643 in insurance premium taxes in 2009 and $294,536 in 2012. The City continues to budget expenses conservatively and to monitor budgets closely to absorb the impact of these declining revenues; however, while declining revenues have been offset by decreased expenditures, continued sustained decline in revenues will eventually impact service delivery.

As in the previous year, the City remains extremely concerned about the performance of the Electric Fund where the operating income decreased by 130.9% in 2011 and 145% in 2012. This decrease is primarily due to the increase in the cost to purchase power resulting from increased market pressures and the City's excess power capacity. In order to address this concern, the City continues to be proactive in economic development and industrial recruitment and will consider every alternative to resolve this situation. During this challenging period the City will continue to adhere to sound financial policies to ensure that we remain financially stable.

The state of the national economy and Georgia's recent budget crisis continues to affect all local governments and their funding along with sustained concerns regarding the escalating cost of health care and the impact of the health care bill passed by the Federal Government. The City is also very apprehensive about the unknown impact of HB 386 which eliminates sales tax and ad valorem tax on vehicles and replaces it with a one-time title tax and also eliminates sales tax on energy used in manufacturing, agriculture and mining. These are among the many factors considered when preparing the FY 2013 budget in which we were cautiously optimistic about improvements in our local economy as indicated by the improvement in the local unemployment statistics.

The FY 2013 budget considers current economic conditions while reviewing historic data and revenue trends and, particularly in the electric fund, the purchase of power and electric sales. Spending cutbacks and generally conservative financial policies were taken into consideration in projecting revenues for all funds as well as other local and broader economic indicators that will influence the revenue stream. The 2013 SPLOST will provide the City with an estimated $3 million in funding in addition to remaining 2005 and 2009 SPLOST funds for capital projects for FY 2013 - FY 2018. In FY 2013, the 2005 and 2009 Special Purpose Local Option Sales Tax (SPLOST) will fund the scheduled replacement of police vehicles and conversions in the amount of $36,780 and the purchase of equipment for the Police Department in the amount of $22,600.

The 2009 SPLOST fund will provide $20,000 to continue the construction of a fire training complex while the 2005 SPLOST will fund $22,340 for the replacement the roof at City Hall. 2005 SPLOST funds in the amount of $65,265 will also be used to complete the purchase and installation of a city-wide software program for police services, fire, utility billing, property taxes, financial administration and human resources.

In FY 2013, the 2009 SPLOST Fund also appropriates funding in the amount of $80,000 for matching funds for a 2012 Community Development Block Grant in the amount of $367,890 for roadway and drainage improvements in the Tybee Community. Other public works projects in FY 2013 include the purchase of a sewer push camera and the replacement of altitude valves on the North and Kaolin water towers at a cost of $12,000 and $20,005 respectively. The Water & Sewer Fund appropriates $412,000 to retrofit water meters to radio read. Funds have been appropriated in the 2009 SPLOST Fund and Electric Fund in FY 2013 for capital projects totaling $155,500 over 5 years for the purchase and implementation of an automated meter reading system that will provide more accuracy in reading the meters and promote more efficiency in the billing process.

Our City leadership has been proactive in improving the quality of life for our residents through, economic development, providing a clean environment with city wide recycling, a low crime rate, exceptional fire protection service and major upgrades to infrastructure which provide quality water and sewer resources. To address vital transportation initiatives in our area, in 2012 the voter's of Sandersville, Washington County and other local governments in the Central Savannah Regional Area approved a regional 1% transportation SLPOST in which 75% of the funding will be used for a pre-determined list or priority projects in the region while the remaining 25% will be provided to the local governments in the region as discretionary funds to be used on their individual transportation projects. A Transportation Fund has been established in the 2013 budget to account for the receipt and disbursement of these funds as well as LMIG funds from the Georgia Department of Transportation.

With each budget cycle the City addresses the challenges of providing quality services to constituents with increasingly limited resources and we will continue to make every effort to improve service levels, reduce taxes and improve the financial integrity of the City of Sandersville.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment of fiscal accountability to the public. Questions or request for additional information on this report should be directed to the City's Finance Department at 141West Haynes Street, Sandersville, Georgia, 31082, or call (478) 552-2525.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board ("GASB"). The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
  - Governmental funds
  - Proprietary (enterprise) funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF SANDERSVILLE, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 1,985,341	$ 4,428,839	$ 6,414,180	$ 20,673
Investments	-	11,174,504	11,174,504	-
Accounts receivable, net	123,084	939,390	1,062,474	-
Receivable from other governments	220,208	-	220,208	-
Internal balances	(797)	797	-	-
Inventory	58,125	624,035	682,160	-
Total current assets	2,385,961	17,167,565	19,553,526	20,673
Noncurrent assets:				
Other assets:				
Loan costs, net of accumulated amortization	-	12,231	12,231	-
Capital assets:				
Land	960,416	222,257	1,182,673	-
Construction in progress	148,261	34,289	182,550	-
Depreciable capital assets, net of accumulated depreciation	6,222,767	9,753,816	15,976,583	-
Total assets	9,717,405	27,190,158	36,907,563	20,673
LIABILITIES:				
Current liabilities:				
Accounts payable	7,850	673,201	681,051	598
Current portion of long-term debt	-	211,057	211,057	-
Meter deposits held	-	294,793	294,793	-
Other accrued liabilities	-	36,369	36,369	-
Deferred revenue	96,629	-	96,629	-
Total current liabilities	104,479	1,215,420	1,319,899	598
Noncurrent liabilities:				
Notes payable, less current portion	-	3,472,263	3,472,263	-
Total liabilities	104,479	4,687,683	4,792,162	598
NET ASSETS:				
Invested in capital assets, net of related debt	7,331,444	6,327,042	13,658,486	-
Restricted for:				
Inventory	58,125	624,035	682,160	
Capital projects	1,388,403	-	1,388,403	-
Public safety	2,041	-	2,041	-
Economic development	326,346	-	326,346	-
Unrestricted	506,567	15,551,398	16,057,965	20,075
	$ 9,612,926	$ 22,502,475	$ 32,115,401	$ 20,075

See accompanying notes to the basic financial statements

CITY OF SANDERSVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit
Primary government:								
Governmental activities:								
General government	$ 1,320,955	$ 150,116	$ -	$ -	$ (1,170,839)	$ -	$ (1,170,839)	
Public safety	2,481,147	170,203	179,639	-	(2,131,305)	-	(2,131,305)	
Street department	789,315	-	-	639,691	(149,624)	-	(149,624)	
Public works administration	151,793	-	-	-	(151,793)	-	(151,793)	
Recreation and cultural	73,006	-	-	-	(73,006)	-	(73,006)	
Cemetery	149,279	-	-	-	(149,279)	-	(149,279)	
Housing and economic development	213,639	-	65,115	-	(148,524)	-	(148,524)	
Interest on long-term debt	-	-	-	-	-	-	-	
Total governmental activities	5,179,134	320,319	244,754	639,691	(3,974,370)	-	(3,974,370)	
Business-type activities:								
Water and sewer	1,697,807	1,754,221	-	-	-	56,414	56,414	
Electrical	11,382,322	9,933,584	-	-	-	(1,448,738)	(1,448,738)	
Telecom	349,247	196,864	-	-	-	(152,383)	(152,383)	
Solid waste	824,093	817,821	-	-	-	(6,272)	(6,272)	
Total business-type activities	14,253,469	12,702,490	-	-	-	(1,550,979)	(1,550,979)	
Total primary government	$ 19,432,603	$ 13,022,809	$ 244,754	$ 639,691	(3,974,370)	(1,550,979)	(5,525,349)	
Component unit:								
Downtown development authority	$ 6,872	$ -	$ 6,000	$ -				$ (872)
General revenues:								
Taxes:								
Property taxes					880,371	-	880,371	-
General sales and use tax					1,043,003	-	1,043,003	-
Franchise tax					1,092,615	-	1,092,615	-
Insurance company premium tax					294,536	-	294,536	-
Other taxes					191,917	-	191,917	-
Unrestricted grants and contributions					170,520	-	170,520	-
Interest and dividend earnings					58	22,951	23,009	23
Miscellaneous					79,173	11,782	90,955	-
Transfers					333,723	(333,723)	-	-
Total general revenues and transfers					4,085,916	(298,990)	3,786,926	23
Change in net assets					111,546	(1,849,969)	(1,738,423)	(849)
Net assets, beginning					9,501,380	24,352,444	33,853,824	20,924
Net assets, ending					$ 9,612,926	$ 22,502,475	$ 32,115,401	$ 20,075

See accompanying notes to the basic financial statements

CITY OF SANDERSVILLE, GEORGIA

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2012

	General Fund	Capital Projects Fund (2005)	Capital Projects Fund (2009)	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	$ 342,343	$ 447,853	$ 867,820	$ 327,325	$ 1,985,341
Accounts receivable, net	115,152	-	-	7,932	123,084
Receivables from other funds	52,270	-	-	1,766	54,036
Receivables from other governments	97,022	-	123,186	-	220,208
Prepaid expenses	-	-	-	-	-
Inventories	58,125	-	-	-	58,125
Total assets	$ 664,912	$ 447,853	$ 991,006	$ 337,023	$ 2,440,794
LIABILITIES:					
Accounts payable	$ 1,028	$ -	$ -	$ 6,822	$ 7,850
Other liabilities	-	-	-	-	-
Due to other funds	2,563	12,278	-	39,992	54,833
Deferred revenue	100,543	-	-	-	100,543
Total liabilities	104,134	12,278	-	46,814	163,226
FUND BALANCES:					
Non-spendable fund balance					
Inventory	58,125	-	-	-	58,125
Restricted fund balance:					
Capital projects	-	435,575	991,006	(38,178)	1,388,403
Public safety	-	-	-	2,041	2,041
Economic development	-	-	-	326,346	326,346
Committed fund balance	-	-	-	-	-
Assigned fund balance	-	-	-	-	-
Unassigned fund balance	502,653	-	-	-	502,653
Total fund balances	560,778	435,575	991,006	290,209	2,277,568
Total liabilities and fund balance	$ 664,912	$ 447,853	$ 991,006	$ 337,023	

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 therefore are not reported in the funds, net of accumulated depreciation of $3,848,539	7,331,444
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Accounts receivable, net of allowance for doubtful accounts of $0	3,914
Long-term notes payable are not due and payable in the current period and therefore are not reported in the funds	-
Net assets of governmental activities	$ 9,612,926

See accompanying notes to the basic financial statements

CITY OF SANDERSVILLE, GEORGIA

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Capital Projects Fund (2005)	Capital Projects Fund (2009)	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	$ 3,464,804	$ -	$ -	$ 39,334	$ 3,504,138
Licenses and permits	150,116	-	-	-	150,116
Intergovernmental	174,196	-	508,773	195,446	878,415
Fees and fines	160,717	-	-	-	160,717
Charges for services	6,030	-	-	-	6,030
Other	249,693	-	-	9,544	259,237
Total revenues	4,205,556	-	508,773	244,324	4,958,653
EXPENDITURES:					
Current operating:					
General government	1,085,347	24,650	116,536	11,864	1,238,397
Public safety	2,276,308	-	-	1,498	2,277,806
Street department	648,035	3,750	-	-	651,785
Public works administration	151,739	-	-	-	151,739
Recreation and cultural	70,087	-	-	-	70,087
Cemetery	140,200	-	-	-	140,200
Housing and economic development	123,105	-	-	87,601	210,706
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlays	-	369,474	226,635	175,499	771,608
Total expenditures	4,494,821	397,874	343,171	276,462	5,512,328
Excess (deficiency) of revenues over expenditures	(289,265)	(397,874)	165,602	(32,138)	(553,675)
OTHER FINANCING SOURCES (USES):					
Loan proceeds	-	-	-	-	-
Transfers in (out)	568,050	-	-	(18,050)	550,000
Total other financing sources and uses	568,050	-	-	(18,050)	550,000
Net change in fund balance	278,785	(397,874)	165,602	(50,188)	(3,675)
FUND BALANCE, beginning	281,993	833,449	825,404	340,397	2,281,243
FUND BALANCE, ending	$ 560,778	$ 435,575	$ 991,006	$ 290,209	$ 2,277,568

(Continued)

See accompanying notes to the basic financial statements

CITY OF SANDERSVILLE, GEORGIA

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - total governmental funds	$ (3,675)
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 those expenditures over the life of the assets:	
Capital outlays	560,481
Depreciation	(440,874)
	119,607
The effect of various capital asset disposals and sales, net of accumulated depreciation	(2,690)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Receivables, net of deferred revenue	(1,696)
	$ 111,546

See accompanying notes to the basic financial statements

CITY OF SANDERSVILLE, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Water and Sewer	Electrical	Telecom	Solid Waste	Total
ASSETS					
CURRENT ASSETS:					
Cash in bank	$ 2,630,720	$ 1,475,336	$ 300,577	$ 22,206	$ 4,428,839
Investment in GA Fund I	681,151	4,006,769	-	-	4,687,920
Investment in MEAG Trust	-	6,486,584	-	-	6,486,584
Due from general fund	-	-	797	-	797
Due from electric fund	119,977	-	-	-	119,977
Due from solid waste fund	-	5,549	-	-	5,549
Accounts receivable, net of allowance	122,639	727,690	22,864	66,197	939,390
Inventories	70,777	540,011	13,247	-	624,035
Total current assets	3,625,264	13,241,939	337,485	88,403	17,293,091
LONG-TERM ASSETS:					
Other Assets:					
Loan closing costs, net	12,231	-	-	-	12,231
Due from telecommunications fund	-	154,178	-	-	154,178
	12,231	154,178	-	-	166,409
Capital Assets:					
Land	168,636	53,621	-	-	222,257
Buildings	156,636	185,896	-	116,577	459,109
Equipment	2,172,596	1,487,230	140,243	453,879	4,253,948
Distribution system	13,952,417	3,190,066	1,219,437	-	18,361,920
Sewerage treatment plant	4,012,595	-	-	-	4,012,595
Construction in process	34,289	-	-	-	34,289
	20,497,169	4,916,813	1,359,680	570,456	27,344,118
Less accumulated depreciation	(12,565,630)	(3,391,451)	(895,020)	(481,655)	(17,333,756)
Total capital assets	7,931,539	1,525,362	464,660	88,801	10,010,362
Total assets	11,569,034	14,921,479	802,145	177,204	27,469,862
LIABILITIES					
CURRENT LIABILITIES:					
Accounts payable	-	672,471	730	-	673,201
Current portion of notes payable	211,057	-	-	-	211,057
Sales tax payable	-	36,369	-	-	36,369
Due to water fund	-	119,977	-	-	119,977
Customer deposits held	-	292,593	2,200	-	294,793
Total current liabilities	211,057	1,121,410	2,930	-	1,335,397
NONCURRENT LIABILITIES:					
Due to electrical fund	-	-	154,178	5,549	159,727
Notes payable, net of current portion	3,472,263	-	-	-	3,472,263
Total noncurrent liabilities	3,472,263	-	154,178	5,549	3,631,990
Total liabilities	3,683,320	1,121,410	157,108	5,549	4,967,387
NET ASSETS					
INVESTED IN CAPITAL ASSETS, net of related debt	4,248,219	1,525,362	464,660	88,801	6,327,042
RESTRICTED for inventory	70,777	540,011	13,247	-	624,035
UNRESTRICTED	3,566,718	11,734,696	167,130	82,854	15,551,398
Total net assets	$ 7,885,714	$ 13,800,069	$ 645,037	$ 171,655	$ 22,502,475

The accompanying notes are an integral part of these financial statements

CITY OF SANDERSVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Water and Sewer	Electrical	Telecom	Solid Waste	Total
OPERATING REVENUES:					
Charges for services	$ 1,702,436	$ 9,852,035	$ 170,344	$ 817,821	$ 12,542,636
Miscellaneous income	51,785	81,549	26,520	-	159,854
Total operating revenue	1,754,221	9,933,584	196,864	817,821	12,702,490
OPERATING EXPENSES:					
Personal services and employee benefits	531,689	579,663	60,556	74,776	1,246,684
Supplies	116,048	52,039	12,420	686	181,193
Power purchased	-	9,535,686	-	-	9,535,686
Franchise and other user fees	-	395,063	135,390	702,217	1,232,670
Maintenance and repairs	172,626	40,681	5,062	3,806	222,175
Vehicle expense	45,031	19,525	-	18,069	82,625
Depreciation	534,553	161,345	63,121	13,594	772,613
Other costs	146,863	598,320	72,698	10,945	828,826
Total operating expenses	1,546,810	11,382,322	349,247	824,093	14,102,472
OPERATING INCOME (LOSS)	207,411	(1,448,738)	(152,383)	(6,272)	(1,399,982)
NON-OPERATING REVENUES (EXPENSES):					
Interest and dividend income	1,034	21,917	-	-	22,951
Change in fair market value of investments	-	11,782	-	-	11,782
State grant	-	-	-	-	-
Interest expense	(150,997)	-	-	-	(150,997)
Total non-operating revenues (expenses)	(149,963)	33,699	-	-	(116,264)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	57,448	(1,415,039)	(152,383)	(6,272)	(1,516,246)
CAPITAL CONTRIBUTIONS	44,201	172,076	-	-	216,277
NET INCOME (LOSS) BEFORE TRANSFERS	101,649	(1,242,963)	(152,383)	(6,272)	(1,299,969)
TRANSFERS IN (OUT)	(150,000)	(481,807)	75,000	6,807	(550,000)
CHANGE IN NET ASSETS	(48,351)	(1,724,770)	(77,383)	535	(1,849,969)
NET ASSETS, beginning of year	7,934,065	15,524,839	722,420	171,120	24,352,444
NET ASSETS, end of year	$ 7,885,714	$ 13,800,069	$ 645,037	$ 171,655	$ 22,502,475

The accompanying notes are an integral part of these financial statements

CITY OF SANDERSVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-Type Activities Enterprise Funds				
	Water and Sewer	Electrical	Telecom	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	$ 1,756,666	$ 9,903,307	$ 189,871	$ 819,341	$ 12,669,185
Cash paid to suppliers for goods and services	(485,647)	(10,625,571)	(227,395)	(802,207)	(12,140,820)
Cash paid to employees	(531,689)	(579,663)	(60,556)	(74,776)	(1,246,684)
Net cash provided by (used for) operating activities	739,330	(1,301,927)	(98,080)	(57,642)	(718,319)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfer from (to) other funds	(150,000)	(481,807)	75,000	6,807	(550,000)
Net cash provided by (used for) noncapital financing activities	(150,000)	(481,807)	75,000	6,807	(550,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of assets	(32,089)	(98,470)	(50,690)	-	(181,249)
Principal paid on notes payable	(202,769)	-	-	-	(202,769)
Interest paid on notes payable	(150,997)	-	-	-	(150,997)
Proceeds from notes payable	-	-	-	-	-
Net cash provided by (used for) capital and related financing activities	(385,855)	(98,470)	(50,690)	-	(535,015)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Loans (to) from General Fund	-	-	(797)	-	(797)
Loans (to) from Water Fund	-	632	-	-	632
Loans (to) from Electric Fund	(632)	-	21,122	73,041	93,531
Loans (to) from Solid Waste Fund		(73,041)			(73,041)
Loans (to) from Telecommuniations Fund	-	(21,122)	-	-	(21,122)
Interest and dividends received	1,034	21,917	-	-	22,951
(Increase) decrease in Investment in MEAG Trust	-	285,929	-	-	285,929
Net cash provided by (used for) investing activities	402	214,315	20,325	73,041	308,083
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	203,877	(1,667,889)	(53,445)	22,206	(1,495,251)
CASH AND CASH EQUIVALENTS, beginning of year	3,107,994	7,149,994	354,022	-	10,612,010
CASH AND CASH EQUIVALENTS, end of year	$ 3,311,871	$ 5,482,105	$ 300,577	$ 22,206	$ 9,116,759

The accompanying notes are an integral part of these financial statements

CITY OF SANDERSVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

	Business-Type Activities Enterprise Funds				
	Water and Sewer	Electrical	Telecom	Solid Waste	Total
RECONCILIATION OF NET INCOME (LOSS) to NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Net operating income (loss)	$ 207,411	$ (1,448,738)	$ (152,383)	$ (6,272)	$ (1,399,982)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:					
Cash flows reported in other categories:					
Depreciation and amortization expense	535,476	161,345	63,121	13,594	773,536
Changes in assets and liabilities:					
Accounts receivable	2,445	(30,277)	(6,993)	1,519	(33,306)
Inventories	3,525	11,397	(1,345)	-	13,577
Accounts payable	(9,527)	(6,526)	(480)	(66,483)	(83,016)
Customer deposits	-	15,265	-	-	15,265
Other liabilities	-	(4,393)	-	-	(4,393)
Net cash provided by (used for) operating activities	$ 739,330	$ (1,301,927)	$ (98,080)	$ (57,642)	$ (718,319)

NONCASH CAPITAL FINANCING ACTIVITIES:

During 2012 the Water and Sewer Fund and Electrical Fund received $44,201 and $172,076, respectively of noncash contributions from Capital Projects Funds for the funding of capital assets.

RECONCILIATION OF TOTAL CASH:

Cash in bank	$ 2,630,720	$ 1,475,336	$ 300,577	$ 22,206	$ 4,428,839
Investment in GA Fund I	681,151	4,006,769	-	-	4,687,920
	$ 3,311,871	$ 5,482,105	$ 300,577	$ 22,206	$ 9,116,759

The accompanying notes are an integral part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of City of Sandersville (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Currently, the City has no blended component units. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City.

Included as a discretely presented component unit in a separate column in the combined financial statements to emphasize it is legally separate from the City:

> Downtown Development Authority - The Development Authority was created by a resolution of the City Council of Sandersville on April 12, 2001, to promote the development of the downtown area of the City. The City Council appoints all board members and has one representative on the Development Authority board. Complete financial statements may be obtained at 141 West Haynes Street, Sandersville, Georgia 31082.

The Housing Authority of the City of Sandersville, Georgia is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of members appointed by the City of Sandersville, Georgia. The City of Sandersville, Georgia is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Sandersville, Georgia is a related organization.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including accrued interest on general long-term debt, is recognized when due, and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund (2005) accounts for capital outlay and other transactions related to the additional one-percent local option sales tax in effect for the period July 1, 2005 to June 30, 2009.

The Capital Projects Fund (2009) accounts for capital outlay and other transactions related to the additional one-percent local option sales tax in effect for the period October 1, 2009 to September 30, 2014.

The City reports the following major proprietary funds:

The Water and Sewer Fund is used to account for the provision of water and sewer services to businesses and residents of the City. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The Electrical Fund is used to account for the provision of electric services to the businesses and residents of the City. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The Telecommunications Fund is used to account for the provision of non-voice telecommunications services, including Internet access. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The Solid Waste Fund is used to account for the operations of solid waste collection and disposal services. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The City complies with Governmental Accounting Standards Board "(GASB)" Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. This Statement requires the City to apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, the City has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When 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.

D. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments are stated at fair market value with unrealized holding gains and losses reported as the "Change in fair market value of investments" in the Statement of Revenues, Expenses and Changes in Retained Earnings.

E. Inventory

Inventory is valued at cost, which approximates market, using the first-in/first-out method. The cost of governmental fund-type inventory is recorded as an expenditure when consumed rather than when purchased.

F. Prepaid Items

Prepaid balances, if any, are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and a reserve for prepaid items is recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, distribution systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets in excess of $1,500 and with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Beginning January 1, 2003, GASBS No. 34 required the City to report and depreciate all new governmental funds' infrastructure assets. GASBS No. 34 also required governments to retroactively report infrastructure assets constructed between 1980 and 2002. Infrastructure assets totaling $806,649 were completed during the year ended December 31, 2012. At December 31, 2012, there was $148,261 of construction-in-progress related to infrastructure assets.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows

Buildings	30-40 Years
Depreciable land improvements	8 - 20 years
Machinery and equipment	5 - 25 years
Infrastructure	40 – 50 years

H. Compensated Absences

Accumulated leave of governmental funds that is expected to be liquidated with expendable available financial resources is reported as expenditure in the fund financial statements. All accumulated leave, including that which is not expected to be liquidated with expendable available financial resources, is reported in the government-wide financial statements. Accumulated leave of Enterprise Funds is recorded as an expense and liability of the respective fund as the benefits accrue to employees. Liabilities for compensated absences are recorded as other liabilities and accrued expenses in the Enterprise Funds. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

The City does not allow accumulated vacation pay beyond one year; therefore there are no significant unrecorded balances at December 31, 2012.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charged and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The City had no bonds outstanding at December 31, 2012.

J. Equity Classifications

The City has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This new standard changed the overall definitions and classifications of governmental fund balances.

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 assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

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

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

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council 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.

Unassigned - Fund balances are reported as unassigned 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 balances may be reported in all funds.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balances are available, unless there are legal documents/contracts that prohibit the use of restricted fund balances, such as grant agreements that require a dollar match. Additionally, the City would then use committed, assigned and lastly unassigned amounts from the unrestricted fund balance when expending funds.

The City does not have a formal minimum fund balance policy; however, the City Council addresses various target reserve positions which are reviewed periodically.

Net Assets

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.

Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly chargeable to another fund, are recorded as expenditures/ expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Basis

GAAP is the budgetary basis used in the preparation of these statements.

Budget Requirements, Accounting and Reporting

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to year end the City Clerk submits to the Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

2. The Council holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ of City of Sandersville.

3. The budget is then revised and adopted or amended by the Council at a regular meeting early in the year to which it applies.

4. The budget so adopted may be revised during the year only by formal action of the Council in a regular meeting and no increase shall be made therein without provision also being made for financing same.

5. The legal level of budgetary control is the department level within the General Fund. Increases in the total appropriations of a department, whether accomplished through an increase in estimated revenues or through a transfer of appropriations among departments, require the approval of the Mayor and Council.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund. The budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with GAAP.

7. Budgeted amounts are as originally adopted, or as amended by the Council. Individual amendments were not material in relation to the original appropriations which were amended.

Excesses of Expenditures over Appropriations in Individual Funds

The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended December 31, 2012:

Public works administration	$ 4,373
Housing and economic development	3,667
Cemetery - capital outlays	2,650

These overexpenditures were funded by greater than anticipated revenues and by available fund balance. The Mayor and Council plan in the future to more closely monitor expenditures to determine if budget amendments need to be made or if cost cutting measures need to be formulated.

3. DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2012, none of the City's $6,414,180 was exposed to custodial credit risk.

Investments - Investing is performed in accordance with investment policies complying with State Statutes and the City Charter. Funds may be invested in: (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral, (3) savings accounts at savings and loan associations and banks, to the extent fully insured, and (4) any bond, note, or other indebtedness issued by agencies, authorities, or public entities whose governing boards are appointed by the City Council, or issued by any public trust of which it is sole beneficiary.

At December 31, 2012, the City's investments included $4,687,920 held in the Georgia Fund 1, which is a combination local and state government investment pool. Georgia Fund 1 is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAm rated money market funds. The pool is not registered with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a Rule 2a-7 like pool. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and values participant's shares sold and redeemed based on $1.00 per share. Pooled cash and cash equivalents and investments are reported at cost which approximates fair value. The pool does not issue any legally binding guarantees to support the value of the shares. Participation in the pool is voluntary and deposits consist of funds from local governments; operating and trust funds of Georgia's state agencies, colleges and universities; and current operating funds of the State of Georgia's General Fund.

Investments in Georgia Fund 1 are directed toward short-term instruments such as U.S. treasury obligations, securities issued or guaranteed as to principal and interest by the U.S. Government or any of its agencies or instrumentalities, banker's acceptances and repurchase agreements. The Georgia Office of State Treasurer is the oversight agency for the Georgia Fund 1 account. Interest rate risk is addressed by not allowing the weighted average maturity of Georgia Fund 1 to exceed 60 days. Regulatory oversight for the pool is provided by the Office of State Treasurer.

The City is a participant in the Municipal Electric Authority of Georgia ("MEAG"). The MEAG board approves an annual system budget from which MEAG bills its participants. At the end of the year, adjustments are made by MEAG to each participant's billings to agree with actual costs. Whenever MEAG recovers funds from the City in excess of its actual costs to serve the City, the City may elect to have their funds deposited in MEAG's Voluntary Flexible Operating Trust Account fund in lieu of receiving a refund. This voluntary stabilization fund is used to reduce future costs of the City at its discretion while also earning interest. The City is authorized to direct MEAG to retain or use the discretionary funds. The MEAG Voluntary Flexible Operating Trust Account is not rated; at December 31, 2012, the average weighted maturity of the fund was 12.62 months. At December 31, 2012, the City's balance in the account was $6,486,584.

4. PROPERTY TAXES

The value of all real and business personal property located in the City is assessed (appraised) as of each January 1. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Appraised values are established by the Washington County Tax Assessors at 40% of estimated fair market value. Taxes were levied when the milleage rate was set on October 1, 2010. Taxes were billed on or about January 1, 2012 and were dueApril 15, 2012 after which date penalties and interest were assessed. Property on which taxes are not paid within 60 days of mailing may then be levied on by the City. Current tax collections for the years ended December 31, 2012, were 99.8% of the tax levy.

Property taxes are recorded as receivables and deferred at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible within sixty days following the close of the fiscal year, and therefore susceptible to accrual in accordance with GAAP have been recognized as revenue.

5. ACCOUNTS RECEIVABLE

At December 31, 2012, accounts receivable consisted of the following:

	Governmental Activities	Business-type Activities	Total
General Fund:			
Property tax	$ 6,466	$ -	$ 6,466
Local option sales tax	97,022	-	97,022
Miscellaneous	108,686	-	108,686
Capital Projects Fund (2009):			
Special local option sales tax	123,186	-	123,186
Hotel/Motel Tax Special Revenue Fund:			
Taxes receivable	7,932	-	7,932
Electrical Fund – electric fees	-	728,085	728,085
Water and Sewer Fund – water and sewer fees	-	122,766	122,766
Telecom Fund – telecom fees	-	22,864	22,864
Solid Waste Fund - garbage fees	-	66,197	66,197
	343,292	939,912	1,283,204
Allowance for doubtful accounts	-	(522)	(522)
	$343,292	$ 939,390	$ 1,282,682

6. CAPITAL ASSETS AND DEPRECIATION

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	$ 960,416	$ -	$ -	$ 960,416
Construction-in-progress	731,537	257,662	(840,938)	148,261
Subtotal	1,691,953	257,662	(840,938)	1,108,677
Other capital assets:				
Buildings	3,082,199	23,750	-	3,105,949
Equipment	4,210,110	1,092,834	(218,017)	5,084,927
Infrastructure	1,662,759	217,671	-	1,880,430
Subtotal	10,647,021	1,591,917	(1,058,955)	11,179,983
Accumulated depreciation:				
Buildings	1,031,026	82,449	-	1,113,475
Equipment	2,167,017	322,451	(24,830)	2,464,638
Infrastructure	234,451	35,975	-	270,426
Subtotal	3,432,494	440,875	(24,830)	3,848,539
Net capital assets	$ 7,214,527	$ 1,151,042	$ (1,034,125)	$ 7,331,444
Business-type activities:				
Not being depreciated:				
Land	$ 222,257	$ -	$ -	$ 222,257
Construction-in-progress	-	34,289	-	34,289
Subtotal	222,257	34,289	-	256,546
Other capital assets:				
Buildings	459,109	-	-	459,109
Equipment	4,051,861	227,433	(25,346)	4,253,948
Infrastructure	22,238,012	136,503	-	22,374,515
Subtotal	26,971,239	398,225	(25,346)	27,344,118
Accumulated depreciation:				
Buildings	272,612	9,521	-	282,133
Equipment	3,146,187	153,750	(24,648)	3,275,289
Infrastructure	13,166,992	609,342	-	13,776,334
Subtotal	16,585,791	772,613	(24,648)	17,333,756
Net capital assets	$ 10,385,448	$ (374,388)	$ (698)	$ 10,010,362

Depreciation was charged to functions as follows:

Governmental activities:	
General government	$ 82,558
Public safety	203,151
Street department	137,530
Public works administration	54
Recreation and cultural	2,919
Cemetery	11,729
Housing and development	2,933
	$ 440,874
Business-type activities:	
Water and sewer	$ 534,553
Electrical	161,345
Telecom	63,121
Solid waste	13,594
	$ 772,613

7. LONG-TERM DEBT

Outstanding Debt:

At December 31, 2012, long-term debt consisted of the following:

	Governmental Activities	Water and Sewer Fund Debt
$758,724 water and sewer fund GEFA note payable used for system upgrades; due in quarterly principal and interest payments of $12,884 to January 2026; interest at 3.0%	$ -	$ 561,737
$2,650,913 water and sewer fund GEFA note payable used for system upgrades; due in monthly principal and interest payments of $17,436 to July 2024; interest at 4.35%	-	1,894,337
$1,195,000 water and sewer fund GEFA note payable used for system upgrades; due in monthly principal and interest payments of $7,122 to September 2031; interest at 3.81%		1,147,430
$100,381 water and sewer fund GEFA note payable used for system upgrades; due in monthly principal and interest payments of $628 to March 2027; interest at 4.36%	-	79,816
Total long-term debt	$ -	$3,683,320

Following is a summary of changes in long-term debt for the year ended December 31, 2012:

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012	Amount Due in One Year
Governmental type activities:					
Note payable	$ -	$ -	$ -	$ -	$ -
Business-type activities:					
GEFA note payable	$ 595,779	$ -	$ (34,042)	$ 561,737	$ 35,023
GEFA note payable	1,188,333	-	(40,903)	1,147,430	42,488
GEFA note payable	83,772	-	(3,956)	79,816	4,132
GEFA note payable	2,018,205	-	(123,868)	1,894,337	129,414
	$3,886,089	$ -	$ (202,769)	$3,683,320	$ 211,057

Annual Requirements to Retire Debt Obligations:

The annual maturities for the years subsequent to December 31, 2012 are as follows:

	Governmental Activities		Water and Sewer Fund Notes Payable	
Year Ending December 31	Principal	Interest	Principal	Interest
2013	-	-	$ 211,057	$ 142,709
2014	-	-	219,677	134,089
2015	-	-	228,675	125,092
2016			238,024	115,742
2017			247,824	105,942
2018 - 2022	-	-	1,400,328	368,507
2023 - 2027	-	-	833,358	114,177
2028 - 2031	-	-	304,377	23,252
	$ -	$ -	$ 3,683,320	$ 1,129,510

10. FUND DEFICIT

At December 31, 2012, no fund had a deficit fund balance.

11. INTERFUND TRANSACTIONS AND BALANCES

	Transfers In	Transfers Out
Telecommunications Fund -		
Electric Fund	$ 75,000	$ -
General Fund-		
Electric Fund	400,000	
Water and Sewer Fund	150,000	-
Hotel/Motel Tax Special Revenue Fund	18,050	
Solid Waste Fund -		
Electric Fund	6,807	-
Hotel/Motel Tax Special Revenue Fund-		
General Fund	-	18,050
Water and Sewer Fund-		
General Fund	-	150,000
Electric Fund -		
General Fund		400,000
Telecommunications Fund	-	75,000
Solid Waste Fund	-	6,807
	$ 649,857	$ 649,857

Transfers are used to move unrestricted revenue to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

During the year ended December 31, 2012, the Capital Projects Funds contributed $44,201 of capital assets to the Water and Sewer Fund and $172,076 of capital assets to the Electrical Fund.

Balances Due to/from Other Funds:

Balances due to/from other funds at December 31, 2012, consist of the following -

	Due From	Due To
General Fund -		
CDBG Special Revenue Fund (2009)	$ -	$ 1,766
CDBG CHIP Special Revenue Fund (2009)	24,116	-
TE Grant Special Revenue Fund	15,826	-
Capital Projects Fund (2005)	12,278	-
Telecom Fund		797
CDBG Special Revenue Fund (2012)	50	-
Capital Projects Fund (2005) -		
General Fund	-	12,278
CDBG Special Revenue Fund (2009) -		
General Fund	1,766	-
TE Grant Special Revenue Fund		
General Fund	-	15,826
CDBG Special Revenue Fund (2012)		
General Fund	-	50
CDBG CHIP Special Revenue Fund (2009) -		
General Fund	-	24,116
Telecom Fund -		
Electric Fund		154,178
General Fund	797	-
Water Fund -		
Electric Fund	119,977	-
Electric Fund -		
Solid Waste Fund	5,549	-
Water and Sewer Fund	-	119,977
Telecom Fund	154,178	
Solid Waste Fund -		
Electric Fund	-	5,549
	$ 334,537	$ 334,537

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances are expected to be repaid in 2012 except for the amount due to the Electric Fund from the Telecom Fund which is expected to be repaid over the next several years as the Telecom Fund becomes profitable.

12. COMMITMENTS AND CONTINGENCIES

Litigation

Amounts expended or payable from federal grantor agencies are subject to audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially effect the City's financial position.

The City of Sandersville and Washington County are equal guarantors on a Washington County Development Authority $2,119,000 revenue bond for purchase of an industrial building, in the event the Authority has insufficient funds to service the debt.

The City of Sandersville and Washington County are equal guarantors on a Washington County Development Authority $7,571,000 revenue bond for purchase of an industrial building, in the event the Authority has insufficient funds to service the debt.

The City of Sandersville and Washington County are equal guarantors on a Washington County Development Authority $2,345,000 revenue bond for purchase of an industrial building, in the event the Authority has insufficient funds to service the debt.

The City of Sandersville and Washington County are equal guarantors on a Washington County Public Facilities Authority $3,703,000 revenue bond for purchase of an industrial building, in the event the Authority has insufficient funds to service the debt.

Agreements with Municipal Electric Authority of Georgia ("MEAG")

In 1976, the City along with 45 other cities and one county, all political subdivisions of the State of Georgia, entered into a Power Sales Contract with the Municipal Electric Authority of Georgia, a public corporation and instrumentality of the State of Georgia.

Under the terms of the agreement, MEAG agrees to provide, and the cities are obligated to purchase, all of their bulk power supply requirements for a period not to exceed 50 years. In 2004, the cities unanimously voted to extend the contract with MEAG an additional 50 years. The cities have agreed to purchase all their future power and energy requirements in excess of that received by the cities through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by MEAG. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each city has guaranteed a portion of the unpaid debt based on their individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations.

During 2007 the City purchased additional interest in MEAG's power sales contract from the City of College Park, Georgia. The total obligation at December 31, 2012 is $41.5 million which will be paid as a part of the City's monthly power purchases to 2037.

At December 31, 2012, the outstanding debt of MEAG was approximately $6.0 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $64.2 million at December 31, 2012.

In 1999, the City approved a resolution adopting the provisions of the Municipal Competitive Trust (the "Trust"), which was created by MEAG for the mutual benefit of MEAG and its wholesale customers which have elected to become beneficiaries. The Trust was established to provide MEAG and the trust's beneficiaries a means to mitigate the expected differential between market rates for power and the costs of power generated by MEAG facilities, after deregulation of the electric industry.

The Trust created three funds in which the City participates. The following is a brief description of each fund:

Flexible Operating Short-Term Trust Account

This account is available to the City for withdrawal without restriction. During 2012, the City transferred $7,197 to this account and the balance at December 31, 2012 was $3,035,233.

Flexible Operating Intermediate Trust Account

This account is available to the City for withdrawal without restriction. During 2012, the City transferred $3,000,000 from the Short-Term Flexible Operating Trust. The Intermediate Trust Account earned $4,625 of dividends and the account balance at December 31, 2012 was $3,016,925.

Generation Trust Account

This account is available to the City for withdrawal without restriction. During 2012, the City transferred $4,010 to this account and the balance at December 31, 2012 was $434,426.

Credit Support Operating Account and Reserve Funded Debt Account

These accounts are restricted to loans or offsets to billings from MEAG for power usage if certain criteria are met related to power costs from MEAG compared to market rates. The total balance in these two accounts at December 31, 2012 was $3,081,160, but is not recorded as an asset of the City.

13. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City has a non-contributory plan covering all full time employees. The plan is administered by the Georgia Municipal Employees Benefit System (GMEBS), a statewide agent multiple-employer type plan. GMEBS handles all administrative and investment functions relative to the plan. The plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year. Employees become vested after five years of service. Members may retire on reaching the age of 55 or 65, depending on years of service. Benefits

are calculated at 1.5% of the average monthly earnings for the period of the five highest years prior to retirement. The benefit provisions and contribution requirements are established by GMEBS and the Adoption Agreement executed by the City.

As of July 1, 2012, the date of the latest actuarial valuation study, employee membership data related to the current plan membership was as follows:

Retirees and beneficiaries currently receiving benefits	56
Terminated employees entitled to benefits but not yet receiving them	21
Current active employees:	
Vested	60
Nonvested	25
Total membership in the plan	162

B. Summary of Significant Accounting Policies

Financial statements of the plan are prepared on the accrual basis of accounting. Contributions from the City are recognized as revenue as billed by GMEBS. Investment income is recognized as earned by the plan. The net appreciation (depreciation) in the fair value of investments held by the pension plan is recorded as the valuation of investments at the end of each month during the period.

There are no investments in, loans to, or leases with parties related to the pension plan.

C. Funding Status and Progress

The amount shown as the "Actuarial Value of Plan Assets" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to: (1) help users assess the retirement plans funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due and (3) allow for comparisons among public employee retirement plans. The actuarial value of plan assets was determined as part of an actuarial valuation of the plan as of July 1, 2012. Significant actuarial assumptions used in determining the actuarial value of plan assets include: (a) a rate of return on the investment of present and future assets of 8% per year, (b) projected salary increases of 5% per year, attributable to inflation, (c) additional projected salary increases of 0.5% per year, attributable to seniority/merit and (d) the assumption that benefits will not increase after retirement. The method used to determine the actuarial value of assets is to roll forward the prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains (losses) during the ten prior years. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 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.

As of July 1, 2012, the actuarial accrued liability and actuarial value of plan assets are as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$2,376,031
Current employees:	
Accumulated employee contributions including allocated investment income	-
Employer-provided vested	2,708,505
Employer-provided non-vested	326,092
Total actuarial accrued liability	5,410,628
Actuarial value of plan assets	4,336,629
Unfunded actuarial accrued liability	$ 1,073,999

The weighted average rate of return used in determining the actuarial present value of accumulated plan benefits was 7.75%.

D. Contributions Required and Contributions Made

As a participant in the GMEBS, the City receives a separate annual actuarial valuation as of May 1. The City is required to pay the required annual actuarial contribution to GMEBS on a monthly basis. These contributions are determined under the projected unit credit actuarial cost method. The actuarial funding method is the same method used in computing the actuarial value of plan assets. Total pension costs were $330,742 for the year ended December 31, 2012, which includes amortization of past service costs over 30 years. This contribution amounted to 11.1% of the total covered payroll. The City's total payroll was $3,346,168 and the covered payroll was $2,969,345. There were no changes in plan provisions valued, cost methods, actuarial assumptions, or benefits during the year.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the actuarial accrued liability as described in C. above.

E. Historical Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. The required ten-year trend information is not presented in the GMEBS annual financial report.

The required three-year historical information is as follows:

	2012	2011	2010
Actuarial value of plan assets as a percentage of actuarial accrued liability	80.2%	77.9%	74.2%
Unfunded (Funded) actuarial accrued liability as a percentage of annual covered payroll	36.2%	39.6%	45.6%
Employer contributions as a percentage of annual covered payroll	11.1%	12.3%	15.2%
Annual pension cost	$330,742	$355,471	$418,333
Percentage of annual pension cost contributed	100%	100%	100%
Net pension obligation	$ -	$ -	$ -

Required Supplementary Information
Analysis of Funding Progress

Fiscal Year	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Per-centage Funded (1)/(2)	Unfunded Actuarial Accrued Liability (AL) (2) - (1)	Annual Covered Payroll (prior year)	Unfunded AL as Percentage of Covered Payroll
2003	$2,879,498	$3,278,355	87.8%	$ 398,857	$2,526,710	15.8%
2004	3,032,303	3,527,929	85.9%	495,626	2,522,907	19.6%
2005	3,211,767	3,755,479	85.5%	543,712	2,540,801	21.4%
2006	3,413,416	3,965,050	86.1%	551,634	2,393,328	23.0%
2007	3,599,925	4,176,889	86.2%	576,964	2,557,047	22.6%
2008	3,769,249	4,556,793	82.7%	787,544	2,640,057	29.8%
2009	2,603,834	4,624,043	56.3%	2,020,209	2,854,980	70.8%
2010	3,616,557	4,873,436	74.2%	1,256,879	2,756,160	45.6%
2011	4,011,869	5,151,149	77.9%	1,139,280	2,879,144	39.6%
2012	4,336,629	5,410,628	80.2%	1,073,999	2,969,345	36.2%

Analysis of the dollar amounts of actuarial value of plan assets, actuarial accrued liability and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of plan assets as a percentage of the actuarial accrued liability provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and annual

covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

To obtain a copy of the financial report for the GMEBS pension plan, write to the following address:

Georgia Municipal Employees Benefit System
201 Pryor Street, SW
Atlanta, GA 30303

14. DEFINED CONTRIBUTION PLAN

The City has a defined contribution pension plan for all full-time employees, including elected officials, the Municipal Court Judge and the City Solicitor. Employees are eligible to participate in the plan immediately upon employment. Covered employees may contribute up to 25% of their base salary and the City matches 50% of the employee's contribution up to 3%. The City's contributions for each employee (and the interest allocated to the employee's account) immediately vest upon entry into the plan. Employee contributions to the plan were $76,348 and the City contributed $34,163 for the current fiscal year.

The City's defined contribution plan, City of Sandersville Defined Contribution Plan, was authorized by the City Council by passage of an ordinance and is administered by the City. The City Council originally established the contribution requirements, and it has the authority to amend contribution requirements if it deems appropriate. The City makes deposits into a money purchase pension trust fund which is managed by CitiStreet, an investment management company.

15. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors of omissions, job related illnesses or injuries to employees; natural disaster; and unemployment compensation. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association administers both risk pools.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the

funds being required to pay any claim of loss. The City is also to allow the pools' 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 funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all 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 also provides health insurance coverage for its employees through the Georgia Municipal Employees Benefit System (GMEBS).

16. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 13 and 14, City Ordinance allows the City to make available the following post employment benefits:

Life Insurance

The City provides $10,000 of 'whole-life' insurance coverage to all employees who retire from the City and who are eligible to receive retirement benefits under the criteria established in the City of Sandersville Retirement Plan. The City, which utilizes a pay-as-you-go basis of funding, paid $627 during the year ended December 31, 2012 for sixteen eligible retirees.

Health Insurance

The City makes available, through its employee group health plan with the Georgia Municipal Association, health care benefits to all employees who retire from the City and who are receiving benefits from the City of Sandersville Retirement Plan. The City makes no contribution toward the premiums for health care benefits for retirees. At December 31, 2012, one retired employee participated in the City's group health plan.

17. JOINT VENTURE

Under Georgia law, the City in conjunction with other cities and counties in the fourteen City east central Georgia area, is a member of the Central Savannah River Area Regional Commission and is required to pay annual dues thereto. During its year ended December 31, 2012, the City paid $6,144 in such dues. Membership in a Regional Commission is required by the OCGA Section 50-8-34 which provides for the organizational structure of the Regional Commissions in Georgia. The Regional Commission Board membership includes the chief elected official of each City 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 may be obtained from:

Central Savannah River Area Regional Commission
2123 Wrightsboro Road
PO Box 2800
Augusta, Georgia 30914-2800

18. HOTEL/MOTEL LODGING TAX

The City has levied a 3% lodging tax. A summary of the transactions for the year ended December 31, 2012, are as follows:

Balance of lodging tax on hand at January 1	$ 316,844
Lodging tax receipts	39,392
Expenditures	(11,840)
Transfer to General Fund	(18,050)
Balance of lodging tax on hand December 31	$ 326,346

The expenditures (30% of current year's receipts) were for promotion of tourism as required by OCGA 48-13-51. This complies with the expenditure requirements of OCGA 48-13-51.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 10, 2013, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules – General Fund

CITY OF SANDERSVILLE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes:				
Ad valorem (including public utility and vehicle)	$ 870,178	$ 818,178	$ 882,067	$ 63,889
Alcoholic beverage	135,788	135,788	137,216	1,428
Local option sales	1,026,009	956,009	1,043,003	86,994
Franchise tax	990,496	990,496	1,092,615	102,119
Insurance company premium	275,000	275,000	294,536	19,536
Intangible	5,000	5,000	3,888	(1,112)
Other	7,209	7,209	11,479	4,270
	3,309,680	3,187,680	3,464,804	277,124
Licenses and Permits:				
Building permits	28,974	28,974	25,017	(3,957)
Business licenses	95,453	95,453	97,754	2,301
Beer, wine and liquor licenses	27,345	27,345	27,345	-
	151,772	151,772	150,116	(1,656)
Intergovernmental:				
County fire supplement	45,120	45,120	45,120	-
Grant funds	-	-	587	587
Department of Justice grant	-	-	269	269
GMA safety grant	17,483	17,483	17,483	-
County reimbursement - public safety	40,620	22,130	22,274	144
County reimbursement - animal control	76,000	76,000	88,463	12,463
	179,223	160,733	174,196	13,463
Charges for services:				
Court fines	158,200	158,200	160,717	2,517
Animal control fees	6,000	6,000	6,030	30
	164,200	164,200	166,747	2,547
Miscellaneous:				
Interest income	-	-	-	-
Sale of equipment, supplies and real estate	14,500	14,500	10,887	(3,613)
Rent	-	-	-	-
Contribution from Washington County Development Authority	146,160	146,160	170,520	24,360
Other	27,089	27,089	68,286	41,197
	187,749	187,749	249,693	61,944
Total revenues	3,992,624	3,852,134	4,205,556	353,422

The accompanying notes are an integral part of these financial statements.

CITY OF SANDERSVILLE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES:				
Current Operating:				
General government	$ 1,081,904	$ 1,098,479	$ 1,085,347	$ 13,132
Public safety	2,290,697	2,310,203	2,273,808	36,395
Street department	664,896	664,896	648,035	16,861
Public works administration	147,366	147,366	151,739	(4,373)
Recreation and cultural	79,337	79,337	70,087	9,250
Cemetery	136,479	141,479	137,550	3,929
Housing and economic development	116,438	119,438	123,105	(3,667)
Total operating expenditures	4,517,117	4,561,198	4,489,671	71,527
Capital Outlays:				
General government	2,800	2,800	-	2,800
Public safety	5,675	5,675	2,500	3,175
Street department	-	-	-	-
Public works administration	580	580	-	580
Recreation and cultural	-	-	-	-
Cemetery	-	-	2,650	(2,650)
Housing and economic development	-	-	-	-
Total capital expenditures	9,055	9,055	5,150	3,905
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total debt service	-	-	-	-
Total expenditures	4,526,172	4,570,253	4,494,821	75,432
Excess (deficiency) of revenues over expenditures	(533,548)	(718,119)	(289,265)	428,854
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	-	-
Transfers in (out)	565,000	568,050	568,050	-
	565,000	568,050	568,050	-
Excess (deficiency) of revenues over expenditures and other financing sources	31,452	(150,069)	278,785	428,854
FUND BALANCE, beginning of year	281,993	281,993	281,993	-
FUND BALANCE, end of year	$ 313,445	$ 131,924	$ 560,778	$ 428,854

The accompanying notes are an integral part of these financial statements.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements not required by the GASB, nor are a part of the basic financial statements, but are presented for purposes of additional analysis. Such information includes:

- Combining Statements - Nonmajor governmental funds
- Hotel/Motel Tax Special Revenue Fund Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
- Community Development Block Grant Special Revenue Fund (2009) Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
- Community Development Block Grant CHIP Special Revenue Fund (2009) Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
- Community Development Block Grant Special Revenue Fund (2011) Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
- Confiscated Asset Special Revenue Fund Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
- Transportation Enhancement Grant Special Revenue Fund- Budget (GAAP Basis) to Actual
- General Fund Statement of Expenditures (Final Budget to Actual) Detailed by Department
- Schedule of Projects Constructed with Special Sales Tax Proceeds
- Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Schedule of Findings and Questioned Costs

CITY OF SANDERSVILLE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	SPECIAL REVENUE						
	Hotel/ Motel	CDBG Fund (2009)	CDBG Fund (2012)	TE Grant Fund	CDBG CHIP Fund (2009)	Confiscated Assets Fund	Total Nonmajor Governmental Funds
ASSETS:							
Cash and cash equivalents	$318,414	$ -	$ 26	$ -	$ 22	$ 8,863	$ 327,325
Taxes receivable	7,932	-	-	-	-	-	7,932
Accounts receivable	-	-	-	-	-	-	-
Due from General Fund	-	1,766	-	-	-	-	1,766
Total assets	$326,346	$ 1,766	$ 26	$ -	$ 22	$ 8,863	$ 337,023
LIABILITIES:							
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ 6,822	$ 6,822
Due to General Fund	-	-	50	15,826	24,116	-	39,992
Total liabilities	-	-	50	15,826	24,116	6,822	46,814
FUND BALANCES:							
Non-spendable fund balance	-	-		-	-	-	-
Restricted fund balance:							
Capital projects	-	1,766	(24)	(15,826)	(24,094)	-	(38,178)
Public safety	-	-		-	-	2,041	2,041
Economic development	326,346	-		-	-	-	326,346
Committed fund balance	-	-		-	-	-	-
Assigned fund balance	-	-		-	-	-	-
Unassigned fund balance	-	-		-	-	-	-
Total fund balances	326,346	1,766	(24)	(15,826)	(24,094)	2,041	290,209
Total liabilities and fund balances	$326,346	$ 1,766	$ 26	$ -	$ 22	$ 8,863	$ 337,023

CITY OF SANDERSVILLE, GEORGIA
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	SPECIAL REVENUE						
	Hotel/ Motel	CDBG Fund (2009)	CDBG Fund (2012)	TE Grant Fund	CDBG CHIP Fund (2009)	Confiscated Assets Fund	Total Nonmajor Governmental Funds
REVENUES:							
Intergovernmental	$ -	$ 133,346	$ -	$ -	$ 62,100	$ -	$ 195,446
Taxes	39,334	-	-	-	-	-	39,334
Other	58	-	-	-	-	9,486	9,544
Total revenues	39,392	133,346	-	-	62,100	9,486	244,324
EXPENDITURES:							
Current operating:							
General government	11,840	-	24	-	-	-	11,864
Street repairs	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	1,498	1,498
Housing and economic development	-	1,316	-	-	86,285	-	87,601
Debt service	-	-	-	-	-	-	-
Capital outlays	-	130,331	-	32,077	-	13,091	175,499
Total expenditures	11,840	131,647	24	32,077	86,285	14,589	276,462
Excess (deficiency) of revenues over expenditures	27,552	1,699	(24)	(32,077)	(24,185)	(5,103)	(32,138)
OTHER FINANCING SOURCES (USES):							
Transfers in (out)	(18,050)	-	-	-	-	-	(18,050)
Total other financing sources and uses	(18,050)	-	-	-	-	-	(18,050)
Net change in fund balance	9,502	1,699	(24)	(32,077)	(24,185)	(5,103)	(50,188)
FUND BALANCE, beginning	316,844	67	-	16,251	91	7,144	340,397
FUND BALANCE, ending	$326,346	$ 1,766	$ (24)	$ (15,826)	$ (24,094)	$ 2,041	$ 290,209

CITY OF SANDERSVILLE, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	$ 34,834	$ 34,834	$ 39,334	$ 4,500
Other	-	-	58	58
	34,834	34,834	39,392	4,558
EXPENDITURES:				
General government	13,495	13,985	11,840	2,145
Total expenditures	13,495	13,985	11,840	2,145
Excess revenues over (under) expenditures	21,339	20,849	27,552	6,703
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(15,000)	(18,050)	(18,050)	-
Excess revenues and other financing sources (uses) over (under) expenditures	6,339	2,799	9,502	6,703
FUND BALANCE, beginning of year	316,844	316,844	316,844	-
FUND BALANCE, end of year	$ 323,183	$ 319,643	$ 326,346	$ 6,703

CITY OF SANDERSVILLE, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND (2009)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental:	$ 133,346	$ 133,346	$ 133,346	$ -
EXPENDITURES:				
Housing and economic development	1,316	1,316	1,316	-
Capital outlays	130,331	130,331	130,331	-
Total expenditures	131,647	131,647	131,647	-
Excess revenues over (under) expenditures	1,699	1,699	1,699	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Excess revenues and other financing sources (uses) over (under) expenditures	1,699	1,699	1,699	-
FUND BALANCE, beginning of year	67	67	67	-
FUND BALANCE, end of year	$ 1,766	$ 1,766	$ 1,766	$ -

CITY OF SANDERSVILLE, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT CHIP SPECIAL REVENUE FUND (2009)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental:	$ 62,100	$ 62,100	$ 62,100	$ -
EXPENDITURES:				
Housing and economic development	86,285	86,285	86,285	-
Capital outlays	-	-	-	-
Total expenditures	86,285	86,285	86,285	-
Excess revenues over (under) expenditures	(24,185)	(24,185)	(24,185)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Excess revenues and other financing sources (uses) over (under) expenditures	(24,185)	(24,185)	(24,185)	-
FUND BALANCE, beginning of year	91	91	91	-
FUND BALANCE, end of year	$ (24,094)	$ (24,094)	$ (24,094)	$ -

CITY OF SANDERSVILLE, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND (2012)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental:	$ -	$ -	$ -	$ -
EXPENDITURES:				
General government	24	24	24	-
Capital outlays	-	-	-	-
Total expenditures	24	24	24	-
Excess revenues over (under) expenditures	(24)	(24)	(24)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Excess revenues and other financing sources (uses) over (under) expenditures	(24)	(24)	(24)	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	$ (24)	$ (24)	$ (24)	$ -

CITY OF SANDERSVILLE, GEORGIA
CONFISCATED ASSET SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	$ -	$ -	$ -	$ -
Other	9,465	9,465	9,486	21
	9,465	9,465	9,486	21
EXPENDITURES:				
Public safety	-	2,339	1,498	841
Capital outlays	3,100	16,191	13,091	3,100
Total expenditures	3,100	18,530	14,589	3,941
Excess revenues over (under) expenditures	6,365	(9,065)	(5,103)	3,962
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Excess revenues and other financing sources (uses) over (under) expenditures	6,365	(9,065)	(5,103)	3,962
FUND BALANCE, beginning of year	7,144	7,144	7,144	-
FUND BALANCE, end of year	$ 13,509	$ (1,921)	$ 2,041	$ 3,962

CITY OF SANDERSVILLE, GEORGIA
TRANSPORTATION ENHANCEMENT GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental:	$ -	$ -	$ -	$ -
EXPENDITURES:				
Housing and economic development	-	-	-	-
Capital outlays	32,077	32,077	32,077	-
Total expenditures	32,077	32,077	32,077	-
Excess revenues over (under) expenditures	(32,077)	(32,077)	(32,077)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Excess revenues and other financing sources (uses) over (under) expenditures	(32,077)	(32,077)	(32,077)	-
FUND BALANCE, beginning of year	16,251	16,251	16,251	-
FUND BALANCE, end of year	$ (15,826)	$ (15,826)	$ (15,826)	$ -

CITY OF SANDERSVILLE, GEORGIA

GENERAL FUND

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
GENERAL GOVERNMENT:				
Mayor and Council:				
Personal services	$ 78,832	$ 78,832	$ 81,591	$ (2,759)
Supplies	965	965	1,150	(185)
Other services and charges	51,001	51,001	53,117	(2,116)
Capital outlays	-	-	-	-
Total mayor and council	130,798	130,798	135,858	(5,060)
City Hall:				
Personal services	536,196	536,196	530,040	6,156
Supplies	12,817	12,817	15,061	(2,244)
Other services and charges	135,904	135,904	139,952	(4,048)
Capital outlays	2,800	2,800	-	2,800
Total city hall	687,717	687,717	685,053	2,664
Fleet Maintenance:				
Personal services	84,501	84,501	84,296	205
Supplies	7,303	7,303	5,389	1,914
Other services and charges	4,771	4,771	7,860	(3,089)
Capital outlays	-	-	-	-
Total vehicle	96,575	96,575	97,545	(970)
Other:				
Personal services	-	-	-	-
Other services and charges	22,235	22,235	22,235	-
Economic development	147,379	163,954	144,656	19,298
Capital outlays	-	-	-	-
Total other	169,614	186,189	166,891	19,298
Total general government	1,084,704	1,101,279	1,085,347	15,932
PUBLIC SAFETY:				
Police:				
Personal services	1,191,840	1,191,840	1,149,314	42,526
Supplies	94,208	94,208	82,996	11,212
Other services and charges	106,968	126,474	143,161	(16,687)
Capital outlays	4,175	4,175	2,500	1,675
Total police department	1,397,191	1,416,697	1,377,971	38,726
Fire Department:				
Personal services	482,811	482,811	471,688	11,123
Supplies	20,121	20,121	17,477	2,644
Other services and charges	27,756	27,756	39,510	(11,754)
Capital outlays	1,000	1,000	-	1,000
Total fire department	531,688	531,688	528,675	3,013
Municipal Court:				
Personal services	90,851	90,851	87,377	3,474
Supplies	372	372	324	48
Other services and charges	41,204	41,204	41,875	(671)
Capital outlays	-	-	-	-
Total municipal court	132,427	132,427	129,576	2,851

CITY OF SANDERSVILLE, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Animal Control:				
Personal services	115,949	115,949	114,759	1,190
Supplies	13,186	13,186	8,282	4,904
Other services and charges	14,231	14,231	25,845	(11,614)
Capital outlays	500	500	-	500
Total animal control	143,866	143,866	148,886	(5,020)
EMA/E911 Contribution to County	91,200	91,200	91,200	-
Total public safety	2,296,372	2,315,878	2,276,308	39,570
STREET DEPARTMENT:				
Personal services	$ 507,499	$ 507,499	$ 500,252	$ 7,247
Supplies	82,473	82,473	64,464	18,009
Other services and charges	43,924	43,924	67,021	(23,097)
Street repairs	31,000	31,000	16,298	14,702
Capital outlays	-	-	-	-
Total street department	664,896	664,896	648,035	16,861
PUBLIC WORKS ADMINISTRATION:				
Personal services	135,045	135,045	135,534	(489)
Supplies	5,420	5,420	5,555	(135)
Other services and charges	6,901	6,901	10,650	(3,749)
Capital outlays	580	580	-	580
	147,946	147,946	151,739	(3,793)
RECREATION AND CULTURAL:				
Contribution to County recreation department	35,150	35,150	25,900	9,250
Contribution to County library	44,187	44,187	44,187	-
Other services and charges	-	-	-	-
Capital outlays	-	-	-	-
Total parks and recreation	79,337	79,337	70,087	9,250
CEMETERY:				
Personal services	105,218	115,223	107,125	8,098
Supplies	9,818	9,818	9,768	50
Other services and charges	21,443	16,438	20,657	(4,219)
Capital outlays	-	-	2,650	(2,650)
Total cemetery	136,479	141,479	140,200	1,279
HOUSING AND ECONOMIC DEVELOPMENT:				
Building Inspector:				
Personal services	98,782	104,788	102,306	2,482
Supplies	5,668	7,618	7,298	320
Other services and charges	11,988	7,032	13,501	(6,469)
Capital outlays	-	-	-	-
Total building inspector	116,438	119,438	123,105	(3,667)
	$ 4,526,172	$ 4,570,253	$ 4,494,821	$ 75,432

CITY OF SANDERSVILLE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL SALES TAX PROCEEDS
For the Year Ended December 31, 2012

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
2005 Tax:						
Fire protection	$ 100,000	$ 500,000	$ 377,252	$ -	$ 377,252	75.45%
Capital outlays:						
Water and sewer system equipment and upgrades	-	850,000	390,994	30,766	421,760	49.62%
General and administration equipment	-	300,000	141,571	100,533	242,104	80.70%
Police department vehicles and equipment	-	650,000	424,374	23,750	448,124	68.94%
Street department equipment	-	450,000	268,974	-	268,974	59.77%
Electrical fund equipment	-	500,000	224,001	172,076	396,077	79.22%
Telecom fund equipment	-	50,000	17,280	-	17,280	34.56%
Solid Waste fund equipment	-	150,000	80,822	-	80,822	53.88%
Economic development	-	500,000	388,276	24,650	412,926	82.59%
Transportation improvements		800,000	616,572	46,099	662,671	82.83%
2009 Tax:						
Fire protection	100,000	100,000	-	50,766	50,766	50.77%
Transportation improvements	600,000	600,000	-	6,000	6,000	1.00%
Economic development	400,000	400,000	74,062	116,536	190,598	47.65%
Capital outlays:						
Street department equipment	300,000	300,000	211,613	38,621	250,234	83.41%
Water and sewer system equipment and upgrades	700,000	700,000	-	7,434	7,434	1.06%
General and administration equipment	150,000	150,000	-	23,012	23,012	15.34%
Police department vehicles and equipment	500,000	500,000	-	100,802	100,802	20.16%
Electrical fund equipment	250,000	250,000	-	-	-	-

WRIGHT & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
130 NORTH HARRIS STREET • POST OFFICE BOX 1014
SANDERSVILLE, GEORGIA 31082
email: wwpc@wrightandwrightpc.com

CLYDE K. WRIGHT, CPA
BRIAN K. WRIGHT, CPA

TELEPHONE (478) 552-6146
FACSIMILE (478) 552-6158

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*

To the Mayor and Council
City of Sandersville, Georgia

We have audited the financial statements of the governmental activities, the business type activities, each major fund, the aggregate discretely presented component unit and the aggregate remaining fund information of the City of Sandersville, Georgia as of and for the year ended December 31, 2012, which collectively comprise the City of Sandersville's basic financial statements and have issued our report thereon dated June 10, 2013. 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 Sandersville, 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 Sandersville, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sandersville's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified

certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting noted as item 12-1. 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 charge with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sandersville, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 12-2.

The City of Sandersville, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Sandersville, Georgia's response and, accordingly, we express no opinion on it.

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

Wright & Wright, P.C.

June 10, 2013

CITY OF SANDERSVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

12-1 Controls Over Financial Statement Presentation

Condition

City personnel do not currently possess the professional skills necessary to prepare or review the year end financial statements in sufficient detail to detect material misstatements in the financial statements and related footnotes.

Effect

The deficiency identified above could result in a material misstatement to the City's financial statements that would not be prevented or detected on a timely basis.

Recommendation

The City should consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.

Views of Responsible Officials

We concur. We will evaluate the cost effectiveness of implementing the control and act accordingly.

12-2 Budgetary

Condition

In the City's General Fund, actual expenditures exceeded budget appropriations in two departments. This is a violation of state law.

Effect

Fiscal control and accountability over departmental expenditures may be jeopardized.

Recommendation

The City should monitor the budget and amend it when appropriate.

Views of Responsible Officials

Our City Council will analyze budgetary financial data periodically and amend the budget when appropriate.

CITY OF SANDERSVILLE

"The Kaolin City"

141 WEST HAYNES STREET
P.O. BOX 71
SANDERSVILLE, GEORGIA 31082
478-552-2525
FAX 478-552-6006
www.sandersville.net

June 10, 2013

Georgia Department of Audits & Accounts
Attn: Mr. Edward Blaha, Director
270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Gentlemen:

The following constitutes our corrective action plan regarding the findings and recommendations in our audit report for the year ended December 31, 2012.

1. With respect to actual expenditures exceeding appropriations, we submit the following comments:

   The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended December 31, 2012:

Public works administration	$ 4,373
Housing and economic development	3,667
Cemetery	2,650

   These overexpenditures were funded by greater than anticipated revenues and by available fund balance. The Mayor and Council plan in the future to more closely monitor expenditures to determine if budget amendments need to be made or if cost cutting measures need to be formulated.

2. City personnel do not currently possess the professional skills necessary to prepare or review the year end financial statements and related footnotes. The City will consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.

Should you need any further explanation of these matters please contact us.

Sincerely,

James W. Andrews, Mayor