TOWN OF SHARPSBURG, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011

TOWN OF SHARPSBURG, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

TABLE OF CONTENTS

Page

FINANCIAL SECTION

Independent Auditor's Report ..... 1 and 2

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets 3

Statement of Activities 4

Fund Financial Statements:

Balance Sheet – Governmental Funds 5

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 6

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 7

General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) and Actual 8

Notes to the Financial Statements ..... 9 - 20

Individual Fund Schedules

Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds 21

COMPLIANCE SECTION

Independent Auditor's 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* ..... 22 and 23

Schedule of Findings and Responses ..... 24 and 25

Summary Schedule of Prior Year Findings 26

FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
Of Town Council
Town of Sharpsburg
Sharpsburg, Georgia

We have audited the accompanying financial statements of the governmental activities and each major fund of the **Town of Sharpsburg, Georgia** (the "Town"), as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Sharpsburg, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Sharpsburg, Georgia, as of December 31, 2011, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2013, on our consideration of the Town of Sharpsburg, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sharpsburg, Georgia's basic financial statements. The accompanying schedule of expenditures of special purpose local option sales tax proceeds is presented for the purpose of additional analysis as required by the Official Code of Georgia 48-8-21, and is not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The schedule of expenditures of special purpose local option sales tax proceeds has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements as a whole.

The Town of Sharpsburg, Georgia has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Mauldin & Jenkins, LLC

Macon, Georgia
November 29, 2013

TOWN OF SHARPSBURG, GEORGIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 232,607
Taxes receivable	21,006
Accounts receivable	236
Due from other governments	38,970
Capital assets:	
Nondepreciable	183,366
Depreciable, net of accumulated depreciation	682,703
Total assets	1,158,888
LIABILITIES	
Accounts payable	28,401
Accrued liabilities	286
Total liabilities	28,687
NET ASSETS	
Invested in capital assets, net of related debt	937,186
Restricted for:	
Capital projects	155,931
Unrestricted	37,084
Total net assets	$ 1,130,201

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

TOWN OF SHARPSBURG, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

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: Governmental Activities
Primary Government:					
General government	$ 233,471	$ 35,630	$ -	$ -	$ (197,841)
Public works	23,418	-	1,214	84,145	61,941
Culture and recreation	10,233	-	-	-	(10,233)
Total primary government	$ 267,122	$ 35,630	$ 1,214	$ 84,145	(146,133)
General revenues:					
Property taxes					25,631
Sales taxes					85,502
Alcoholic beverage taxes					11,280
Franchise taxes					23,656
Insurance premium taxes					15,994
Other taxes					5,832
Unrestricted investment earnings					132
Total general revenues					168,077
Change in net assets					21,944
Net assets, beginning of year					1,108,257
Net assets, end of year					$ 1,130,201

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

TOWN OF SHARPSBURG, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General Fund	SPLOST Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 92,354	$ 140,253	$ 232,607
Taxes receivable	21,006	-	21,006
Accounts receivable	236	-	236
Due from other governments	16,081	22,889	38,970
Total assets	$ 129,677	$ 163,142	$ 292,819
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 28,401	$ -	$ 28,401
Accrued liabilities	286	-	286
Deferred revenues	9,042	7,211	16,253
Total liabilities	37,729	7,211	44,940
FUND BALANCES			
Restricted for capital projects	-	155,931	155,931
Unassigned	91,948	-	91,948
Total fund balances	91,948	155,931	247,879
Total liabilities and fund balances	$ 129,677	$ 163,142	

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.	866,069
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	16,253
Net assets of governmental activities	$ 1,130,201

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

TOWN OF SHARPSBURG, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2011

	General	SPLOST	Total Governmental Funds
Revenues			
Property taxes	$ 25,524	$ -	$ 25,524
Sales taxes	84,903	-	84,903
Alcoholic beverage taxes	11,280	-	11,280
Franchise fees	25,309	-	25,309
Insurance premium taxes	15,994	-	15,994
Other taxes	5,832	-	5,832
Licenses and permits	19,687	-	19,687
Intergovernmental	-	84,145	84,145
Charges for services	15,943	-	15,943
Interest income	132	1,214	1,346
Other revenues	50	-	50
Total revenues	204,654	85,359	290,013
Expenditures			
Current:			
General government	227,285	-	227,285
Capital outlay	-	143,396	143,396
Total expenditures	227,285	143,396	370,681
Net change in fund balances	(22,631)	(58,037)	(80,668)
Fund balances, beginning of year	114,579	213,968	328,547
Fund balances, end of year	$ 91,948	$ 155,931	$ 247,879

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

TOWN OF SHARPSBURG, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2011

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds.	$	(80,668)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		103,559
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(947)
	$	21,944

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

TOWN OF SHARPSBURG, GEORGIA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Taxes:				
Property taxes	$ 23,240	$ 23,240	$ 25,524	$ 2,284
Sales taxes	82,000	82,000	84,903	2,903
Alcoholic beverage taxes	7,500	7,500	11,280	3,780
Franchise taxes	10,000	10,000	25,309	15,309
Insurance premium tax	17,500	17,500	15,994	(1,506)
Other taxes	4,400	4,400	5,832	1,432
Total taxes	144,640	144,640	168,842	24,202
Licenses and permits:				
Business licenses	3,400	3,400	19,687	16,287
Total licenses and permits	3,400	3,400	19,687	16,287
Charges for services:				
Community Center rental	4,000	4,000	11,625	7,625
Recreation fees	2,800	2,800	3,819	1,019
Other charges for services	-	-	499	499
Total charges for services	6,800	6,800	15,943	9,143
Interest income	2,950	2,950	132	(2,818)
Miscellaneous				
Miscellaneous revenues	-	-	50	50
Total miscellaneous	-	-	50	50
Total revenues	157,790	157,790	204,654	46,864
Expenditures:				
Current:				
General government				
Personal services / employee benefits	48,700	48,700	49,392	(692)
Purchased / contracted services	86,350	86,350	165,319	(78,969)
Supplies	7,800	7,800	7,375	425
Capital outlay	14,940	14,940	5,199	9,741
Total general government	157,790	157,790	227,285	(69,495)
Total expenditures	157,790	157,790	227,285	(69,495)
Net change in fund balances	-	-	(22,631)	(22,631)
Fund balances, beginning of year	114,579	114,579	114,579	-
Fund balances, end of year	$ 114,579	$ 114,579	$ 91,948	$ (22,631)

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Sharpsburg, Georgia (the "Town") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

A. Reporting Entity

The Town of Sharpsburg was incorporated in 1871. The Town operates under the Mayor and Council form of government and provides the following services to its citizens as authorized by its charter: recreation, public works, planning and zoning, and general and administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include the accounts of all Town operations and all activities of the Town.

Based upon criteria set forth by Governmental Accounting Standards Board (GASB) Statement 14 "The Financial Reporting Entity" as amended by GASB Statement 39 "Determining Whether Certain Organizations are Component Units", the Town was determined to have no component units as of December 31, 2011.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. (For the most part, the effect of interfund activity has been removed from these statements). Governmental activities are normally supported by taxes and intergovernmental revenues.

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. 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 considered program revenues are reported instead as general revenues.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. 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 Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, franchise taxes, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

In accordance with GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”, the corresponding assets (receivables) in nonexchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

The Town reports the following major governmental funds:

The **General Fund** is the Town’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 **Special Purpose Local Option Sales Tax Fund** accounts for the proceeds of a one percent tax. Funds are used for sidewalks and road improvement projects.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed for the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. Revenues and expenditures of the Capital Projects Funds are budgeted on a project basis and are, therefore, excluded from presentation in the financial statements. All appropriations lapse at the end of the December 31 fiscal year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town of Sharpsburg because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

E. 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 Town.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds."

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items in both the government-wide and fund financial statements.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than $500 and 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. In accordance with GASB 34, the Town has elected not to include infrastructure acquired or constructed prior to January 1, 2003.

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

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 60
Improvements other than buildings	25
Infrastructure	50
Machinery and equipment	5 - 15

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the Town does not have a policy to pay any amounts when employees separate from service with the Town. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable discount or premium. Issuance costs are reported as deferred charges.

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 issued 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.

K. Fund Equity

The Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of January 1, 2011. 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 Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity (Continued)

- ***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 Town 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 Town Council through the adoption of a resolution. Only the Town Council may modify or rescind the commitment.

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Council has not authorized anyone to assign fund balances.

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

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

Net Assets – Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Town has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Management Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of assets and liabilities during the reporting period. Actual results could differ from those estimates.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	$	133,438
Depreciation expense		(29,879)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	103,559

NOTE 3. LEGAL COMPLIANCE – BUDGETS

The Town of Sharpsburg, Georgia follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Budgets are prepared by the Town Clerk prior to November 15 for the fiscal year to commence January 1.

2. Public hearings are conducted at the Town Hall to obtain taxpayer comments. The budget is formally enacted through passage of a resolution by the Town Council.

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

3. All budget revisions or changes must be approved as required by Georgia law and administrative policy. Expenditures should not exceed the legally adopted budget at the department level without Council action amending the budget. The Town Clerk has the authority to transfer line item budget amounts within their department up to $500 without Council approval. All appropriations lapse at the end of each fiscal year.

4. Budgets are based on the same method of accounting as the funds they represent.

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

5. For the year ended December 31, 2011, expenditures exceeded budget in the General Fund, as follows:

Personal services / employee benefits	$	692
Purchased / contracted services		78,969

These over expenditures were funded by greater than anticipated revenues and by available fund balance.

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2011, are as follows:

Amounts as presented on the entity wide statement of net assets:		
Governmental activities:		
Cash and cash equivalents	$	232,607
Cash deposited with financial institutions	$	232,607

Credit risk. State statutes authorize the Town to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

At December 31, 2011, the Town had no investments.

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2011, all of the Town's bank balances were covered by either federal depository insurance or by collateral held by the Town's agent in the Town's name.

Custodial Credit Risk – Investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

NOTE 5. RECEIVABLES

Property taxes were levied on October 1, 2011, against a taxable digest established as of January 1, 2011. Property taxes were due on December 1, 2011, and were considered delinquent the following day (December 2, 2011) – which would also be the lien date. Receivables are recorded when taxes are levied and billed.

The net receivables collected during the year ended December 31, 2011, and expected to be collected by February 28, 2012, are recognized as revenues in the year ended December 31, 2011. Net receivables estimated to be collectible subsequent to February 28, 2012 are recorded as revenue when received.

Receivables consisted of the following at December 31, 2011:

	General	SPLOST	Total
Taxes	$ 21,006	$ -	$ 21,006
Accounts receivable	236	-	236
Due from other governments	16,081	22,889	38,970
Total receivables	$ 37,323	$ 22,889	$ 60,212

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2011, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 162,616	$ 20,750	$ -	$ 183,366
Construction in progress	71,117	84,140	(155,257)	-
Total	233,733	104,890	(155,257)	183,366
Capital assets, being depreciated:				
Buildings	109,779	28,548	155,257	293,584
Improvements other than buildings	36,664	-	-	36,664
Infrastructure	459,198	-	-	459,198
Machinery and equipment	25,890	-	-	25,890
Total	631,531	28,548	155,257	815,336
Less accumulated depreciation for:				
Buildings	(45,202)	(8,926)	-	(54,128)
Improvements other than buildings	(15,103)	(2,353)	-	(17,456)
Infrastructure	(23,736)	(16,360)	-	(40,096)
Machinery and equipment	(18,713)	(2,240)	-	(20,953)
Total	(102,754)	(29,879)	-	(132,633)
Total capital assets, being depreciated, net	528,777	(1,331)	155,257	682,703
Total capital assets, net	$ 762,510	$ 103,559	$ -	$ 866,069

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 6,186
Public works	16,360
Culture and recreation	7,333
Total depreciation expense - governmental activities	$ 29,879

NOTE 7. DEFERRED COMPENSATION PLAN

The Town participates in the Georgia Municipal Association 457(b) Deferred Compensation Plan (the Plan) which is administered by the Georgia Municipal Association through their service manager, CitiStreet. The Plan provides retirement benefits to plan participants and beneficiaries. Plan provisions and contribution requirements are established and may be amended by the Town. Employees contribute to the Plan on a discretionary basis. The Town does not make any contributions on behalf of participants in the Town's deferred compensation plan. For the year ended December 31, 2011, employee contributions totaled $1,650.

Pursuant to the Statement Number 32 of the Governmental Accounting Standards Board "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", the Town does not have a fiduciary relationship with the 457 plan. Accordingly, the balances and transactions of the Town's 457 plan are not reported in the Town's financial statements.

NOTE 8. RISK MANAGEMENT

The Town is exposed to various risks of losses related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the Town 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 Town is also to allow the pools' agents and attorneys to represent the Town in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Town 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 government contract and in accordance with the workers' compensation law 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.

Settled claims in the past three (3) years have not exceeded insurance coverage.

NOTE 9. JOINT VENTURE

Under Georgia law, the Town, in conjunction with other cities and counties in the ten (10) county area of Butts, Carroll, Coweta, Heard, Lamar, Meriwether, Pike, Spalding, Troup, and Upson Counties is a member of the Three Rivers Regional Commission (Regional Commission - RC) and is required to pay annual dues thereto. During its fiscal year ended December 31, 2011, the Town paid membership dues in the amount of $341. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia.

The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

Three Rivers Regional Commission
120 North Hill Street
Griffin, Georgia 30224

NOTE 10. COMMITMENTS AND CONTINGENCIES

Litigation:

The Town is involved in various claims and matters of litigation resulting from normal operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town attorney, the resolution of these matters will not have a materially adverse effect on the financial condition of the Town.

Grant Contingencies:

The Town has received Federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the Town believes such disallowances, if any, will not be significant.

TOWN OF SHARPSBURG, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS

FOR THE YEAR ENDED DECEMBER 31, 2011

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Cumulative Total
2002					
Street improvements	$ 233,500	$ 205,500	$ 268,445	$ 9,173	$ 277,618
Sidewalks	50,000	78,000	78,000	-	78,000
Water tower	-	-	75,408	-	75,408
Recreational building improvement	-	-	73,317	113,473	186,790
Land purchase	-	-	15,539	20,750	36,289
Total	$ 283,500	$ 283,500	$ 510,709	$ 143,396	$ 654,105

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members
Of Town Council
Town of Sharpsburg
Sharpsburg, Georgia

We have audited the financial statements of the governmental activities and each major fund of the Town of Sharpsburg, Georgia, as of and for the year ended December 31, 2011, which collectively comprise the Town of Sharpsburg, Georgia's basic financial statements and have issued our report thereon dated November 29, 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

Management of the Town of Sharpsburg, Georgia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Sharpsburg, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Sharpsburg, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Sharpsburg, Georgia'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 responses as items 2011-1 and 2011-2 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe that a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

The Town of Sharpsburg, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town of Sharpsburg, Georgia's responses and accordingly, we express no opinion on them.

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

Mauldin & Jenkins, LLC

Macon, Georgia
November 29, 2013

TOWN OF SHARPSBURG, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	_____ yes __X__ no
Significant deficiencies identified not considered to be material weaknesses?	__X__ yes _____ none reported
Noncompliance material to financial statements noted?	_____ yes __X__ no

Federal Awards

There was not an audit of major federal award programs for the year ended December 31, 2011 due to the total amount expended being less than $500,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2011-1. Segregation of Duties

Criteria: Internal controls should be in place which would provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: Appropriate segregation of duties does not exist among recording, distribution, reconciliation of cash accounts and other operational functions in various areas of Town operations.

Context: Several instances of overlapping duties were noted during interviews regarding internal control procedures.

Effect: Failure to properly segregate duties among recording, distribution, and reconciliation of accounts can lead to misappropriation of funds that is not detected during the normal course of business.

Cause: The failure to properly segregate duties is due to the limited number of individuals available to perform each of the duties.

Recommendation: The duties of recording, distribution, approving, writing and signing of checks, and reconciliation of accounts should be segregated among employees.

TOWN OF SHARPSBURG, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2011-1. Segregation of Duties (Continued)

Views of Responsible Officials: We concur. The Town is in the process of reviewing their systems to evaluate and determine the most efficient and effective solution to properly segregate duties among recording, distribution, and reconciliation of accounts to provide reasonable assurance that an individual cannot misappropriate funds without being detected during the normal course of business.

2011-2. Taxes Receivable and Deferred Revenues

Criteria: Generally accepted accounting principles require revenue to be recognized in the accounting period in which it becomes both measurable and available to finance expenditures of the current period.

Condition: The Town did not properly record revenue, receivable, or deferred revenue relating to Special Purpose Local Option Sales Tax and the Town did not properly defer revenue relating to franchise taxes for the year ended December 31, 2011.

Context: We addressed this matter with Town officials and they were able to determine the appropriate amount of Special Purpose Local Option Sales Tax receivable and deferred revenue to record as well as the amount of franchise tax revenue to defer into the subsequent fiscal year as of December 31, 2011.

Effect: An audit adjustment to increase Special Purpose Local Option Sales tax revenue and deferred revenue in the Special Local Option Sales Tax fund and an adjustment to increase deferred franchise tax revenue in the General fund was required to be recorded within the General fund and SPLOST fund as of December 31, 2011.

Recommendation: We recommend the Town begin recognizing and recording all necessary tax adjustments at the end of each financial reporting cycle.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

TOWN OF SHARPSBURG, GEORGIA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

STATUS OF PRIOR YEAR AUDIT FINDINGS

2010- 1. Segregation of Duties

For the year ending December 31, 2010, we noted the Town of Sharpsburg failed to properly segregate duties due to the limited number of individuals available to perform each of the duties.

Status: The above finding was not corrected for the year ended December 31, 2011. See finding 2011-1.

2010- 2. Taxes Receivable and Deferred Revenues

For the year ending December 31, 2010, we noted the Town of Sharpsburg failed to properly record taxes receivable and deferred revenues relating to property taxes, Special Local Option Sales tax, and franchise taxes.

Status: The Town properly recorded taxes receivable and deferred revenues relating to property taxes for the year ended December 31, 2011. The Town did not correct the portion of the finding relating to franchise taxes and Special Local Option Sales Tax. See finding 2011-2.

2010- 3. Adoption of Annual Budgets

For the fiscal year ending December 31, 2010, no budget was adopted for the Transportation Enhancement Grant Fund in accordance with the Official code of Georgia (OCGA) sections 36-81-2 through 36-81-6.

Status: The Transportation Enhancement Grant Fund project was completed and closed during the prior fiscal year. As such, no budget was required for fiscal year 2011. The Town did properly prepare and adopt a budget for its General Fund in accordance with the OCGA.