CITY OF SPARTA, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2012

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FOR THE YEAR ENDED APRIL 30, 2012

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Financial Section

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the
City of Sparta, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sparta, Georgia, as of and for the year ended April 30, 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 Sparta, 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, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sparta, Georgia, as of April 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the 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 April 8, 2013 on our consideration of the City of Sparta, Georgia's internal control over financial reporting and 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.

The City of Sparta has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on pages 27 through 30 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Sparta, Georgia's basic financial statements. The 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. These statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wright & Wright, P.C.

April 8, 2013

Basic Financial Statements

CITY OF SPARTA, GEORGIA

Exhibit 1

STATEMENT OF NET ASSETS
APRIL 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 26,380	$ 16,111	$ 42,491
Restricted assets	-	126,534	126,534
Receivables, net of allowances for uncollectible:			
Taxes	195,243	-	195,243
Accounts	9,620	181,546	191,166
Intergovernmental	29,078	-	29,078
Other	-	39,227	39,227
Internal balances	135,999	(135,999)	-
Notes receivable	293,988	-	293,988
Prepaid expenses	5,756	11,512	17,268
Capital assets:			
Land and other non-depreciable assets	15,500	338,288	353,788
Other capital assets, net of depreciation	215,539	10,137,875	10,353,414
Total Assets	927,103	10,715,094	11,642,197
Liabilities			
Accounts payable	160,738	204,452	365,190
Accrued interest payable	-	16,556	16,556
Other current liabilities	9,829	31,684	41,513
Compensated absences payable - current	65,131	47,586	112,717
Short term notes payable	20,500	-	20,500
Customer deposits	-	87,919	87,919
Long-term obligations:			
Due within one year	-	211,618	211,618
Due in more than one year	-	7,120,364	7,120,364
Total Liabilities	256,198	7,720,179	7,976,377
Net Assets			
Invested in capital assets, net of related debt	231,039	3,144,181	3,375,220
Restricted for:			
Debt service	-	35,348	35,348
Grant agreement	306,680	-	306,680
Unrestricted	133,186	(184,614)	(51,428)
Total Net Assets	$ 670,905	$ 2,994,915	$ 3,665,820

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2012

EXHIBIT 2

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	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary Government							
Governmental Activities:							
General government	$ 268,396	$ 13,667	$ -	$ -	$ (254,729)	$ -	$ (254,729)
Administration	56,382	-	-	-	(56,382)	-	(56,382)
Public safety	441,189	76,419	-	-	(364,770)	-	(364,770)
Street maintenance	235,178	110,664	-	19,071	(105,443)	-	(105,443)
Interest on debt	4,545	-	-	-	(4,545)	-	(4,545)
Economic development	21,222	-	-	-	(21,222)	-	(21,222)
Total governmental activities	1,026,912	200,750	-	19,071	(807,091)	-	(807,091)
Business-type Activities:							
Water and sewer	1,934,933	1,348,212	-	-	-	(586,721)	(586,721)
Gas	731,576	736,444	-	-	-	4,868	4,868
Total business-type activities	2,666,509	2,084,656	-	-	-	(581,853)	(581,853)
Total primary government	$ 3,693,421	$ 2,285,406	$ -	$ 19,071	(807,091)	(581,853)	(1,388,944)
General revenues:							
Property taxes					298,466	-	298,466
Franchise fees					90,367	-	90,367
Local option sales tax					139,397	-	139,397
Insurance premium tax					65,666	-	65,666
Motor vehicle/mobile home taxes					18,301	-	18,301
Beer/liquor/wine taxes					53,758	-	53,758
Occupation taxes					25,012	-	25,012
Unrestricted investment earnings					133	652	785
Miscellaneous					12,075	-	12,075
Transfers					28,801	(28,801)	-
Total general revenues and transfers					731,976	(28,149)	703,827
Change in net assets					(75,115)	(610,002)	(685,117)
Net assets - beginning					723,520	3,604,917	4,328,437
Prior period adjustment					22,500	-	22,500
Net assets - beginning, as restated					746,020	3,604,917	4,350,937
Net assets -ending					$ 670,905	$ 2,994,915	$ 3,665,820

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 13,688	$ 12,692	$ 26,380
Receivables, net of allowances for uncollectibles:			
Taxes	195,243	-	195,243
Accounts	9,620	-	9,620
Intergovernmental	29,078	-	29,078
Notes receivable	-	293,988	293,988
Due from other funds	135,999	-	135,999
Prepaid expenditures	5,756	-	5,756
Total Assets	$ 389,384	$ 306,680	$ 696,064
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 160,738	$ -	$ 160,738
Accrued expenses	9,829	-	9,829
Short-term notes payable	20,500	-	20,500
Deferred revenues	209,731	-	209,731
Total Liabilities	400,798	-	400,798
Fund Balances (Accumulated Deficit):			
Restricted for grant agreement	-	306,680	306,680
Unreserved, reported in General Fund	(11,414)	-	(11,414)
Total Fund Balances (Accumulated Deficit)	(11,414)	306,680	295,266
Total Liabilities and Fund Balances (Accumulated Deficit)	$ 389,384	$ 306,680	$ 696,064

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 4

RECONCILIATION OF NET ASSETS – GOVERNMENTAL FUNDS IN THE STATEMENT OF NET ASSETS TO TOTAL FUND BALANCE – GOVERNMENTAL FUNDS ON THE BALANCE SHEET FOR THE YEAR ENDED APRIL 30, 2012

Fund balance - total governmental funds	$	295,266
Amounts reported for governmental activities in the statement of net assets are different because:		
Some liabilities are not due and payable in the current period and therefore are not reported in the funds -		
Compensated absences		(65,131)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		209,731
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		231,039
Net assets of governmental activities	$	670,905

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 692,477	$ -	$ 692,477
Licenses and permits	13,667	-	13,667
Fines and forfeitures	76,419	-	76,419
Charges for services	105,565	-	105,565
Grant revenues	19,071	-	19,071
Other revenues	9,072	3,136	12,208
Total revenues	916,271	3,136	919,407
Expenditures:			
Current:			
General government	251,686	4,895	256,581
Administration	56,382	-	56,382
Public safety	400,655	-	400,655
Street maintenance	231,894	-	231,894
Intergovernmental payments to other governments or agencies	21,222	-	21,222
Debt service	4,545	-	4,545
Capital outlay	-	-	-
Total expenditures	966,384	4,895	971,279
Deficiency of Revenues Under Expenditures	(50,113)	(1,759)	(51,872)
Other Financing Source -			
Transfers in	28,801	-	28,801
Net Change in Fund Balance	(21,312)	(1,759)	(23,071)
Fund Balance (Accumulated Deficit), Beginning	(12,602)	308,439	295,837
Prior period adjustment	22,500	-	22,500
Fund Balance, Beginning - as restated	9,898	308,439	318,337
Fund Balance (Accumulated Deficit), Ending	$ (11,414)	$ 306,680	$ 295,266

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED APRIL 30, 2012

Net change in fund balances - total governmental funds	$ (23,071)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expenses on governmental capital assets are included in the governmental activities column in the Statement of Net Assets but are not shown in the governmental funds	(51,293)
Revenues in the statement of activities that do not provide financial resources are not reported as revenues in the funds. The amount of deferred revenues recognized as revenue in the statement of activities is as follows:	
Property taxes	(1,510)
Charges for service	5,099
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated absences	(4,340)
Change in net assets of governmental activities	$ (75,115)

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 7

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Taxes	$ 828,669	$ 828,669	$ 692,477	$ (136,192)
Licenses and permits	14,400	14,400	13,667	(733)
Fines and forfeitures	115,000	115,000	76,419	(38,581)
Charges for services	115,000	115,000	105,565	(9,435)
Grant revenues	-	-	19,071	19,071
Other revenues	29,879	29,879	9,072	(20,807)
Total revenues	1,102,948	1,102,948	916,271	(186,677)
Expenditures:				
General government	288,744	283,744	251,686	32,058
Administration	68,499	68,499	56,382	12,117
Public safety	399,756	420,756	400,655	20,101
Street maintenance	303,649	296,649	231,894	64,755
Payments to other governmental agencies	122,700	122,700	21,222	101,478
Debt service	1,000	1,000	4,545	(3,545)
Capital outlay	118,600	109,600	-	109,600
Total expenditures	1,302,948	1,302,948	966,384	336,564
Deficiency of Revenues Under Expenditures	(200,000)	(200,000)	(50,113)	149,887
Other Financing Sources:				
Proceeds from long term debt	100,000	100,000	-	(100,000)
Transfers in	100,000	100,000	28,801	(71,199)
Total other financing sources	200,000	200,000	28,801	(171,199)
Deficiency of Revenues and Other Financing Source Under Expenditures	-	-	(21,312)	(21,312)
Fund Balance (Accumulated Deficit), Beginning	(12,602)	(12,602)	(12,602)	-
Prior period adjustment	22,500	22,500	22,500	-
Fund Balance, Beginning - as restated	9,898	9,898	9,898	-
Fund Balance (Accumulated Deficit), Ending	$ 9,898	$ 9,898	$ (11,414)	$ (21,312)

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 8

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2012

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 11,185	$ 4,926	$ 16,111
Receivables, net	119,336	62,210	181,546
Other receivables	-	39,227	39,227
Due from other funds	-	52,242	52,242
Prepaid expenses	5,756	5,756	11,512
Total current assets	136,277	164,361	300,638
Noncurrent assets:			
Restricted assets - cash	126,534	-	126,534
Capital assets:			
Land and other non-depreciable assets	335,341	2,947	338,288
Other capital assets, net of depreciation	10,104,912	32,963	10,137,875
Total noncurrent assets	10,566,787	35,910	10,602,697
Total Assets	10,703,064	200,271	10,903,335
LIABILITIES:			
Current Liabilities:			
Accounts payable	132,843	71,609	204,452
Accrued interest payable	16,556	-	16,556
Accrued expenses	7,179	24,505	31,684
Due to other funds	188,241	-	188,241
Compensated absences payable - current	36,982	10,604	47,586
Customer deposits	87,919	-	87,919
Bonds and notes payables	211,618	-	211,618
Total current liabilities	681,338	106,718	788,056
Noncurrent liabilities-			
Bonds and notes payables	7,120,364	-	7,120,364
Total Liabilities	7,801,702	106,718	7,908,420
NET ASSETS:			
Invested in capital assets, net of related debt	3,108,271	35,910	3,144,181
Unrestricted	(242,257)	57,643	(184,614)
Restricted for debt service	35,348	-	35,348
Total Net Assets	$ 2,901,362	$ 93,553	$ 2,994,915

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 9

STATEMENT OF CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2012

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Operating Revenues:			
Water revenues	$ 724,025	$ -	$ 724,025
Sewer revenues	595,901	-	595,901
Gas revenues	-	726,227	726,227
Penalties	28,286	10,217	38,503
Total operating revenues	1,348,212	736,444	2,084,656
Operating Expenses:			
Salaries	355,247	115,606	470,853
Payroll taxes	26,666	8,172	34,838
Retirement expense	11,100	10,800	21,900
Group insurance	11,400	19,800	31,200
Workers compensation insurance	2,969	78,250	81,219
Natural gas purchases	-	410,245	410,245
Travel expenses	645	1,659	2,304
Office expenses	7,373	3,876	11,249
Insurance	31,057	21,672	52,729
Repairs and maintenance	104,643	10,978	115,621
Professional and technical services	35,885	30,074	65,959
Testing and monitoring	27,160	-	27,160
Depreciation	684,223	6,133	690,356
Pumping expense	73,498	-	73,498
Advertising	253	-	253
Supplies	9,524	-	9,524
Chemicals	45,952	-	45,952
Telephone	3,836	3,394	7,230
Utilities	107,464	4,187	111,651
Uniforms	-	3,795	3,795
Miscellaneous	52,898	2,935	55,833
Total operating expenses	1,591,793	731,576	2,323,369
Operating income (loss)	(243,581)	4,868	(238,713)
Non-operating Revenue (Expense):			
Interest income	552	100	652
Interest expense	(343,140)	-	(343,140)
Total non-operating revenue (expense)	(342,588)	100	(342,488)
Net income (loss) before transfer	(586,169)	4,968	(581,201)
Transfer to other funds	-	(28,801)	(28,801)
Change in net assets	(586,169)	(23,833)	(610,002)
Total net assets, beginning	3,487,531	117,386	3,604,917
Total net assets, ending	$ 2,901,362	$ 93,553	$ 2,994,915

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 10

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2012

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	$ 1,367,427	$ 716,887	$ 2,084,314
Payments to suppliers	(461,171)	(393,003)	(854,174)
Payments to employees	(409,235)	(243,210)	(652,445)
Payments to others	(62,551)	(38,246)	(100,797)
Payments from (to) other funds	121,243	(47,582)	73,661
Net cash provided by (used in) operating activities	555,713	(5,154)	550,559
Cash Flows from Noncapital Financing Activities -			
Transfer from (to) other funds	-	(28,801)	(28,801)
Net cash provided by (used in) by noncapital financing activities	-	(28,801)	(28,801)
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(60,785)	-	(60,785)
Borrowings of capital debt	96,780	-	96,780
Principal payments on capital debt	(209,561)	-	(209,561)
Interest payments on capital debt	(343,521)	-	(343,521)
Net cash used in capital and related financing activities	(517,087)	-	(517,087)
Cash Flows from Investing Activities -			
Interest income	552	100	652
Net increase in cash and cash equivalents	39,178	(33,855)	5,323
Balances - beginning of year	98,541	38,781	137,322
Balances - end of year	$ 137,719	$ 4,926	$ 142,645
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$ (243,581)	$ 4,868	$ (238,713)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	684,223	6,133	690,356
Net change in assets and liabilities attributable to operations:			
Accounts receivable	17,716	13,710	31,426
Other receivables	-	(39,227)	(39,227)
Customers deposits	1,499	-	1,499
Accounts payable	(25,281)	46,407	21,126
Due from other funds	-	(47,582)	(47,582)
Prepaid expenses	(2,387)	5,960	3,573
Accrued interest payable	(902)	-	(902)
Compensated absences payable	3,183	4,577	7,760
Due to other funds	121,243	-	121,243
Net cash provided by (used in) operating activities	$ 555,713	$ (5,154)	$ 550,559
Components of Cash and Cash Equivalents:			
Unrestricted cash and cash equivalents	$ 11,185	$ 4,926	$ 16,111
Restricted cash and cash equivalents	126,534	-	126,534
Total cash and cash equivalents	$ 137,719	$ 4,926	$ 142,645

The accompanying Notes to the Financial Statements are an integral part of this statement

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sparta, Georgia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to Government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The more significant accounting policies established in GAAP and used by the City are described below.

The reporting entity is comprised of the primary government and any component units or other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt. As of April 30, 2012, City of Sparta, Georgia had no component units.

A. 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 primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues and 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. *Program revenues* include 1) charges to customer 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 instead as *general revenues.*

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

B. 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 and fiduciary 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 will be collected 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City of Sparta, Georgia. It is used to account for all financial resources of the general Government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for the provision of water/sewer services to the residents of the City. The *Natural Gas Fund* accounts for the provision of natural gas services to the residents of the City.

Additionally, the City reports the following fund type -

The *Special Revenue Fund* accounts for revenue sources that are legally restricted to expenditure for specific purposes. The City currently utilizes the Redevelopment Fund as a Special Revenue Fund.

GASB 34 eliminates the presentation of *Account Groups*, but provides for these records to be maintained and used to account for fixed assets and long-term liabilities that are not reflected on the balance sheet of Governmental type funds due to the current financial resources measurement focus that they use.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund 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 City has elected not to follow subsequent private-sector guidance.

Governmental activities have been consolidated in the government-wide financial statements. Total governmental funds have been combined with general fixed assets and long term liabilities. The effect of interfund activity has been removed from the government-wide financial statements. Due to/from other funds have been eliminated as well as operating transfers between funds. The net operating loss from internal service funds has been charged to the functional expense categories based on employee insurance claims submitted by department. 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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, including operating grants, investment earnings and interest expense.

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

C. Assets, Liabilities and Net Assets or Equity

1. ***Deposits and Investments*** - Cash includes amounts in both interest-bearing and non-interest-bearing demand deposits. State statutes authorize the Government to invest in obligations of the U.S. Treasury, obligations of the State of Georgia or any other states, obligations fully insured or guaranteed by the United States government or governmental agency, Local Government Investment Pool, commercial paper, corporate bonds, obligation of other political subdivisions of the State of Georgia and repurchase agreements. Any bank deposit in excess of the total FDIC insured amount must be secured by an equivalent amount of State or U.S. obligations.

   For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

2. ***Receivables and Payables*** - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The current portion of these interfund receivables and payables are classified as "due from other funds" or "due to other funds" in the governmental funds.

   Non-current portions of long-term interfund loans receivable/payable are reported as "advances to other funds" or "advances from other funds". Advances receivable in the Governmental funds are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation and are not expendable available financial resources.

3. ***Prepaid Items*** - For prepaid expenditures in the government-wide and fund financial statements, the City reports the expenditures during the benefiting period.

4. ***Restricted Assets*** – Certain assets, cash, of the Water and Sewer Fund are classified as restricted assets because their use is completely restricted to the payment of the revenue and bonds payable.

5. ***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 columns in the government-wide financial statements. Capital assets are defined by the Government as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of two years. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. General infrastructure assets acquired prior to May 1, 2004 are not reported in the basic financial statements.

   The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

   Major outlays for capital assets and improvements are capitalized as projects are constructed. GASB statement 37 prohibits the capitalization of interest on assets constructed for use in governmental activities. However, interest from debt not considered to be general long-term debt may be included as part of the cost of assets constructed for business-type activities. The total interest expense incurred by the City during the current fiscal year was $351,011. Of this amount, $3,326 was included as part of the cost of capital assets under construction in connection with public building construction projects.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	15-35
Infrastructure	20
Furniture and fixtures	7-10
Machinery and equipment	5-15
Vehicles	3-10

6. ***Compensated Absences*** - It is the Government's policy to permit employees to accumulate earned but unused paid leave benefits. All paid leave benefits are accrued when incurred in the government-wide, proprietary and fiduciary fund 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.

7. ***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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges 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 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.

8. ***Fund Equity*** - Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Contributed capital is recorded in the proprietary fund that has received contributions from the general fund. Prior contributed capital amounts have been restated as either net assets restricted, unrestricted or invested in capital assets, net of related debt.

   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 County is bound to honor constraints on the specific purposes for which amounts in the 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 County 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 Board of Commissioners through the adoption of a resolution. Only the Board of Commissioners may modify or rescind the commitment.

Assigned – Funds balances are reported as assigned when amounts are constrained by the County'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 County reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

The County uses restricted amounts to be spent 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 County would then use committed, assigned and lastly, unassigned amounts from the unrestricted fund balances when expending funds.

Net Assets

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction or improvement of the assets.

Restricted net assets – This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted net assets – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

9. ***Estimates*** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The annual budget is the financial plan for the operation of the City of Sparta, Georgia for the ensuing annual period. The budget process provides for a professional management approach to the establishment of priorities and the implementation of work programs while providing an orderly means for control and evaluation of the financial posture of the Government. The City of Sparta budgets are adopted on a basis generally consistent with GAAP inasmuch as encumbrances are not recorded. Annual appropriated budgets are adopted for the General Fund and the Redevelopment Fund. Prior to the fiscal year end, the Council prepares a proposed operating budget for the year commencing the following May 1. The operating budget includes proposed expenditures

and the means of financing them. The City holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ of the City of Sparta, Georgia. The budget is then revised and adopted or amended by the City shortly after the beginning of the year to which it applies. The budget so adopted may be revised during the year only by formal action of the City in a regular meeting and no increase shall be made therein without provision also being made for financing same. The City Clerk is delegated to transfer sums within departments. No increase in the departmental budgets for the City may be made without the approval of the City Council and amendments to the budget. The general fund is subject to budgetary control on a department basis.

B. Excess of Expenditures over Appropriations in Individual Funds of the General Fund

The individual funds, which had expenditures in excess of appropriations, as well as the object level within each fund at which the excess was incurred, are as follows:

General Fund:	Expenditures	Appropriations	Expenditures Over Appropriations
Current Operating Expenditures:			
Debt Service -			
Interest and other charges	$ 4,545	$ 1,000	$ 3,545

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investments – The Government owns no investments as of April 30, 2012.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of April 30, 2012, $0 of the government's bank balance was exposed to custodial credit risk.

As of April 30, 2012, the City did not have a formal investment policy.

Additional disclosures with regards to deposits and investments can be located in the *Summary of Significant Accounting Policies* under the *Assets, Liabilities and Equity* section.

B. Property Taxes

State law requires that property taxes be based on assessed value that is 40% of fair market value. All real and personal property are valued as of January 1 of each year and must be declared and reported on a return for tax purposes by May 1. Upon completion of all assessments and tax returns, the information is turned over to the Hancock County Tax Appraiser, for compilation of the tax digest. The completed tax digest must be submitted to the State Revenue Commissioner for approval. The State Revenue Commissioner must ascertain that real property on the tax digest has been assessed at the state mandated forty percent (40%) of fair market value. If not, the commissioner may require an across the board percentage adjustment to all real property. The City distributes tax notices and collects tax payments. Property taxes are usually levied on assessed valuation on August 20 and are due by November 20 and considered delinquent by November 21. Property taxes are attached as an enforceable lien on the day the taxes become delinquent. The total real and personal property tax levy is recorded as revenue in the fiscal year in which such amounts will be available (collected within 60 days of year-end).

The City levied a tax of 12.9 mills on the tax value of all taxable property in the City for calendar year 2011. The net digest for 2011 on property in the City was $21,401,938 and the tax levied amounted to $276,085. The total real and personal property tax levy is recorded as revenue in the fiscal year in which such amounts will be available (collected as of year-end) as net current assets. In the accompanying financial statements, the portion of the property tax levy for the tax year 2011 collected during the current year, and within 60 days of year-end, has been recognized as revenue.

Property taxes receivable, shown net of allowance for uncollectibles, at April 30, 2012, is composed of the following:

Year of Levy:		
2011	$	87,253
2010		62,954
2009		35,821
2008		28,586
2007		22,841
2006		14,808
2005		11,568
Prior to 2005		29,940
Total taxes receivable		293,771
Less - allowance for uncollectibles		(98,528)
Net receivable	$	195,243

The allowance for uncollectible property taxes was determined as follows:

Year of Levy	Percentage Allocation	Outstanding Balance	Amount Allocated To Reserve
2011	10%	$ 87,253	$ 8,725
2010	20%	62,954	12,591
2009	30%	35,821	10,746
2008	40%	28,586	11,434
2007	50%	22,841	11,421
2006	60%	14,808	8,885
2005	70%	11,568	8,098
2004	80%	13,237	10,589
2003	90%	6,639	5,975
2002	100%	10,064	10,064
Total		$ 293,771	$ 98,528

C. Accounts Receivable

Primary Government

Receivables at April 30, 2012 for the City's individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer Fund	Natural Gas Fund	Non-major Funds
Receivables:				
Taxes	$ 293,771	$ -	$ -	$ -
Notes	-	-	-	293,988
Intergovernmental	29,078	-	-	-
Accounts	34,765	431,236	224,801	-
Other	-	-	39,227	-
Gross receivables	357,614	431,236	264,028	293,988
Less: allowance for Uncollectibles	(123,673)	(311,900)	(162,591)	-
Net total receivables	$ 233,941	$ 119,336	$ 101,437	$ 293,988

D. Capital Assets

Primary Government

Capital asset activity for the year ended April 30, 2012 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	$ 15,500	$ -	$ -	$ 15,500
Other capital assets:				
Buildings and improvements	319,529	-	-	319,529
Infrastructure	19,543	-	-	19,543
Furniture and fixtures	2,223	-	-	2,223
Machinery and equipment	92,989	-	-	92,989
Autos and trucks	636,540	-	-	636,540
Total other capital assets at historical cost	1,070,824	-	-	1,070,824
Less accumulated depreciation:				
Buildings and improvements	248,386	7,056	-	255,442
Infrastructure	2,443	977	-	3,420
Furniture and fixtures	2,222	-	-	2,222
Machinery and equipment	66,540	5,722	-	72,262
Autos and trucks	484,401	37,538	-	521,939
Total accumulated depreciation	803,992	51,293	-	855,285
Other capital assets, net	266,832	(51,293)	-	215,539
Governmental activities capital assets, net	$ 282,332	$ (51,293)	$ -	$ 231,039

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	$ 338,288	$ -	$ -	$ 338,288
Total capital assets not being depreciated	338,288	-	-	338,288
Other capital assets:				
Buildings	20,357	-	-	20,357
Utility systems	20,168,663	60,785	-	20,229,448
Machinery and equipment	338,381	-	-	338,381
Furniture and fixtures	20,707	-	-	20,707
Total other capital assets at historical cost	20,548,108	60,785	-	20,608,893
Less accumulated depreciation:				
Buildings	23,007	721	-	23,728
Utility systems	9,536,214	660,418	-	10,196,632
Machinery and equipment	208,694	27,870	-	236,564
Furniture and fixtures	12,747	1,347	-	14,094
Total accumulated depreciation	9,780,662	690,356	-	10,471,018
Other capital assets, net	10,767,446	(629,571)	-	10,137,875
Business-type activities capital assets, net	$ 11,105,734	$ (629,571)	$ -	$ 10,476,163

Governmental activities depreciation expense:	
General Government	$ 7,475
Public Safety	40,534
Street Maintenance	3,284
Total governmental activities depreciation expense:	$ 51,293
Business-type activities:	
Water	$ 684,223
Natural Gas	6,133
Total business-type activities depreciation expense	$ 690,356

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of April 30, 2012 is as follows:

Receivable Fund	Payable Fund	
General Fund	Water and Sewer Fund	$ 135,999
Gas Fund	Water and Sewer Fund	52,242
		$ 188,241

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.

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. Transfers within the Primary Government were as follows:

Transfers:	Transfers Out	Transfers In
General Fund	$ -	$ 28,801
Gas Fund	28,801	-
Total transfers	$ 28,801	$ 28,801

F. Landfill Post-Closure Care

The City's landfill was closed on April 1, 1994 under Georgia Environmental Protection Division (EPD) guidelines. Since that time, 9 ground water monitoring wells, 2 surface water locators and 9 methane monitoring locations have been installed under EPD Solid Waste Guidelines. Since closure, the City has monitored the site and will continue such monitoring, as prescribed by the EPD guidelines. During the fiscal year ended April 30, 2012, the City had $24,921 in post-closure expenditures. Future annual costs associated with these requirements are estimated at $11,885 per year for the remaining period of required monitoring. This annual estimate is based on costs experienced during the initial years of required monitoring. Due to the immateriality of the estimated post-closure costs, no liability has been established for the post-closure costs. In the future, significant economic inflation or deflation, technology or applicable laws or regulations may change future estimates of the annual costs. As of April 30, 2012, financial assurance requirements are no longer required by the City in relation to the landfill.

G. Long-Term Debt

Primary Government Notes Payable

The 1990 Series Water and Sewer Revenue Bonds held by the U. S. Farmers Home Administration require, in the bond resolution approved pursuant to the issuance of the bonds, that revenues be used to pay for certain specific designated expenditures. The 1990 Series Bond Ordinance sets forth the use of revenues of the water and sewer system. Article V states that revenues are to be deposited to the revenue fund account, from which are paid operation and maintenance costs, the sinking fund requirements for the 1993 bonds, the sinking fund requirements for the 1980 and 1981 bonds, and junior and subordinate bonds. After paying these obligations, the remaining moneys are to be paid into renewal and extension fund account. After the required payments are made into the sinking fund and renewal and extension fund accounts, any remaining moneys may be used as the City may so determine.

The sinking fund account requires funding of the monthly interest and principle payments. Additionally, funding in the amount of $1,900 per month is required until a reserve of $209,000 is attained for the 1990 bonds, plus a reserve of $81,800 for the 1981 bonds, for a total of $290,800. The funding reserve account did not meet the bonding requirements as established by the bond covenants. The balance of the sinking fund account as of April 30, 2012 was $25,091.

The renewal and extension fund account is to be funded with excess revenues until a $50,000 balance is attained. Moneys in this account may be used to correct any deficiency in the sinking fund, or to make required payments of principle and interest. The balance of the renewal and extension account as of April 30, 2012 was $10,257.

The following is a summary of long-term debt at April 30, 2012:

Water and Sewer Fund:	Total	Current	Long-term
Bank of Hancock County, interim financing for Waste Water Project, 5.25% interest, maturity date of September 15, 2013, principal and interest due at maturity	$ 96,780	$ -	$ 96,780
Revenue bonds held by the U.S. Farmers Home Administration:			
Water and sewer bonds, 1980-A Series, issued in the amount of $1,250,000 for water and sewer improvements. 5% interest rate with principal due in annual installments to December 1, 2019, interest payable semi-annually. Annual payments are approximately $75,000. The bonds are redeemable at par.	418,610	55,745	362,865
Water and sewer bonds, 1981 Series, issued in the amount of $120,000 for water and sewer improvements. 5% interest rate with payments of approximately $7,500 due in annual installments to December 1, 2020. The bonds are redeemable at par.	42,742	5,592	37,150
Water and sewer bonds, 1990-A Series, issued in the amount of $1,855,000 for water and sewer improvements. 5% interest rate with payments of approximately $111,000 due in annual installments to December 1, 2029. The bonds are redeemable at par.	1,264,795	45,718	1,219,077
Water and sewer bonds, 1990-B Series, issued in the amount of $1,106,000 for water and sewer improvements. 5% interest rate with payments of approximately $66,000 due in annual installments to December 1, 2029. The bonds are redeemable at par.	755,944	27,325	728,619
Water and sewer bonds, 2000-A Series, issued in the amount of $2,551,000 for water and sewer improvements. 4.5% interest rate with payments of approximately $137,760 due in annual installments to June 1, 2041. The bonds are redeemable at par.	2,234,482	40,928	2,193,554
Water and sewer bonds, 2000-B Series, issued in the amount of $2,875,412 for water and sewer improvements. 4.5% interest rate with payments of approximately $155,280 due in annual installments to June 1, 2041. The bonds are redeemable at par.	2,518,629	36,310	2,482,319
Total Revenue bonds held by the U.S. Farmers Home Administration	$ 7,331,982	$ 211,618	$ 7,120,364

Long-term liability activity for the year ended April 30, 2012 was as follows:

Long-term liabilities:	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Within More Than One Year
Governmental Activities						
Compensated absences payable	$ 60,791	$ 4,340	$ -	$ 65,131	$ 65,131	$ -

The compensated absences liability will be paid from the General Fund.

Long-term liabilities:	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Within More Than One Year
Business-Type Activities						
Compensated absences payable	$ 39,826	$ 7,760	$ -	$ 47,586	$ 47,586	$ -
Notes payable - Bank of Hancock County	-	96,780	-	96,780	-	96,780
Water and sewer bonds - Series 1980-A	472,486	-	53,876	418,610	55,745	362,865
Water and sewer bonds - Series 1981	48,146	-	5,404	42,742	5,592	37,150
Water and sewer bonds - Series 1990-A	1,310,693	-	45,898	1,264,795	45,718	1,219,077
Water and sewer bonds - Series 1990-B	783,089	-	27,145	755,944	27,325	728,619
Water and sewer bonds - Series 2000-A	2,270,792	-	36,310	2,234,482	40,928	2,193,554
Water and sewer bonds - Series 2000-B	2,559,557	-	40,928	2,518,629	36,310	2,482,319
Total Business-Type Activities	$ 7,484,589	$ 104,540	$ 209,561	$ 7,379,568	$ 259,204	$ 7,120,364

Debt service requirements to maturity for the revenue bonds are as follows:

Year Ending April 30	Principal	Interest
2013	$ 222,425	$ 330,907
2014	233,376	319,956
2015	245,870	307,462
2016	256,931	296,401
2017	269,587	283,745
2018-2022	1,231,455	1,239,314
2023-2027	1,425,842	928,018
2028-2032	1,155,151	598,334
2033-2037	1,100,057	365,143
2038-2041	1,094,508	129,062
Total	$ 7,235,202	$ 4,798,342

Debt service requirements to maturity for the notes payable are as follows:

Year Ending April 30	Principal
2013	$ -
2014	96,780
Total	$ 96,780

H. Short - Term Debt

Short-term liability activity for the primary government for the year ended April 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities	$ 80,125	$ 100,500	$ 160,125	$ 20,500

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses experienced by the City are covered by commercial insurance for all risks, except for workers compensation benefits. The City is self-insured in regards to workers compensation benefits. During the fiscal years ended April 30, 2012 and 2011, the City paid employee workers compensation claims in the amount of approximately $52,944 and $69,216, respectively. The Government estimates liabilities for workers compensation claims as the claims are incurred.

A table summarizing activity involving self-insured workers compensation benefits is as follows:

	2012	2011
Claims Liability, Beginning	$ -	$ -
Claims incurred throughout the year	52,944	69,216
Payment of claims	(52,944)	(69,216)
Other	-	-
Claims Liability, End	$ -	$ -

B. Post Employment Benefits

Voluntary payments to several retired employees are being paid at $300 per month to each retired employee as part of a defined contribution plan maintained and administered by the City. Payments are made at the discretion of City Council and can be discontinued at their discretion. Retirement expense for the year ended April 30, 2012 totaled approximately $33,000. Full-time employees, regardless of age, that meet the 20 year length of service requirement are eligible for the benefits. Benefits may be offered to an employee under extenuating circumstances with the approval of City Council.

C. Commitments and Contingencies

Reservations of fund balances of Governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Reserve Under Grant Agreement

The reserve was created to represent those funds that are restricted for the specific use of the Redevelopment Fund.

Balance, May 1, 2011	$ 308,439
Net change	(1,759)
Balance, April 30, 2012	$ 306,680

Asserted Claims

As of April 30, 2012, the City was the defendant in several lawsuits. The City's attorney assessed each of these lawsuits as having a low probability of a negative outcome against the City.

D. Joint Venture

Under Georgia law, the City, in conjunction with other cities and counties in their area, is a member of the Central Savannah River Area Regional Development Center (CSRA RDC) and is required to pay annual dues thereto. During its year ended April 30, 2011, the City paid $1,312 in such dues. Membership in a RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a RDC. Separate financial statements may be obtained from:

Central Savannah River Area Regional Development Center
3023 Riverwatch Parkway, Suite A
Augusta, Georgia 30907

E. Redevelopment Fund Note Receivable

In 1990, the City obtained a Community Development Block Grant to use as loan funds as part of the rehabilitation of a historic downtown hotel. As the loan is repaid, a revolving loan fund will be established for similar needs. The loan, whose balance at April 30, 2012 was $287,988, is subordinated to a Farmers Home Administration first mortgage of $1,455,000. The loan carries interest of 1%. Annual payments of principle and interest are $7,500. In addition, taxes saved as a result of being in a special historic district up to $7,500 a year are to be paid as payment in lieu of taxes. Both payments annually provide for a 30-year amortization. Principle payments over the next five years average $11,400 annually.

F. Prior Period Adjustment

During the fiscal year ended April 30, 2012, the City recorded a prior period adjustment to correct the beginning Governmental Activities' net assets as well as the beginning fund balance in the General Fund. The adjustment was recorded to correct an overstatement in prior year's accounts payable.

G. Subsequent Events

The City performed an evaluation of subsequent events through April 8, 2013, the date upon which the City's financial statements were available for issue. The City has not evaluated subsequent events after this date. No subsequent events were identified that would have required a change to the financial statements or disclosure in the notes to the financial statements.

Required Supplementary Information Other Than Management's Discussion and Analysis

CITY OF SPARTA, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes Revenues:				
General property taxes and public utilities	$ 427,669	$ 427,669	$ 299,976	$ (127,693)
Occupation taxes	25,000	25,000	25,012	12
Franchise fees	88,000	88,000	90,367	2,367
Vehicle taxes	15,000	15,000	17,218	2,218
Mobile home taxes	3,000	3,000	1,083	(1,917)
Beer, liquor, wine tax	55,000	55,000	53,758	(1,242)
Local option sales tax	130,000	130,000	139,397	9,397
Insurance premium tax	85,000	85,000	65,666	(19,334)
Total taxes revenues	828,669	828,669	692,477	(136,192)
Fines and Forfeitures-				
Municipal Court fines and forfeitures	115,000	115,000	76,419	(38,581)
Licenses and Permits:				
Building permits	5,000	5,000	4,430	(570)
Parade permits	400	400	425	25
Beer and liquor licenses	8,000	8,000	7,312	(688)
Regulatory fees	-	-	750	750
Re-zoning application fees	1,000	1,000	750	(250)
Total licenses and permits	14,400	14,400	13,667	(733)
Charges for Services-				
Garbage fees	115,000	115,000	105,565	(9,435)
Grant Revenue -				
Georgia Department of Transportation grant	-	-	19,071	19,071
Other Revenue -				
Miscellaneous revenues	29,879	29,879	9,072	(20,807)
Total Revenues	$ 1,102,948	$ 1,102,948	$ 916,271	$ (186,677)

CITY OF SPARTA, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures:				
General Government:				
Salaries	$ 43,700	$ 51,200	$ 50,514	$ 686
Payroll taxes	3,343	3,343	2,000	1,343
Workers compensation reserve fund	25,200	27,200	25,138	2,062
Service contracts	20,000	13,500	11,287	2,213
Utilities	9,000	9,000	7,675	1,325
Telephone	5,000	5,000	4,696	304
Supplies	5,000	5,000	3,719	1,281
Landfill expenditures	15,000	15,000	6,781	8,219
Dues and subscriptions	2,000	2,000	1,094	906
Professional services	45,000	43,000	47,800	(4,800)
Repairs and maintenance	15,800	10,800	2,150	8,650
Insurance - general	25,501	25,501	27,217	(1,716)
Election/Registration expenditures	20,000	20,000	17,274	2,726
Postage	800	2,800	2,740	60
Equipment rental	800	800	567	233
Travel and training	4,000	4,000	3,944	56
GSCCCA	18,500	18,500	15,069	3,431
Advertising	2,000	2,000	1,864	136
Miscellaneous expenditures	28,100	25,100	20,157	4,943
Total General Government	$ 288,744	$ 283,744	$ 251,686	$ 32,058
Administration:				
Salaries:				
Mayor	$ 9,500	$ 9,200	$ 8,200	$ 1,000
Council	15,000	14,000	11,250	2,750
City Clerk's office	16,000	16,000	14,362	1,638
Payroll taxes	3,099	3,099	2,600	499
Retirement expenditures	3,600	3,600	3,600	-
Telephone	900	900	827	73
Repairs and maintenance	700	700	-	700
Gas and oil	100	100	-	100
Travel and training	12,800	14,100	10,773	3,327
Recorders court	3,600	3,600	3,600	-
Dues and subscriptions	2,200	2,200	1,170	1,030
Miscellaneous expenditures	1,000	1,000	-	1,000
Total Administration	$ 68,499	$ 68,499	$ 56,382	$ 12,117

CITY OF SPARTA, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Public Safety:				
Salaries:				
Police department	$ 250,000	$ 277,500	$ 278,021	$ (521)
Fire department	20,000	20,000	15,494	4,506
Payroll taxes	20,655	20,655	22,413	(1,758)
Retirement expenditures	8,100	5,100	4,800	300
Workers compensation insurance	800	800	80	720
Group insurance	7,501	7,501	6,599	902
Utilities	16,500	16,500	15,692	808
Clothing and uniforms	5,500	5,500	4,029	1,471
Supplies	3,900	3,900	3,703	197
Tools and hardware	200	200	52	148
Telephone	12,200	12,200	11,284	916
Repairs and maintenance	10,100	10,100	4,975	5,125
Gasoline and oil	22,700	20,700	20,785	(85)
Travel and training	5,450	5,450	3,416	2,034
Donations	600	600	600	-
Miscellaneous	15,550	14,050	8,712	5,338
Total Public Safety	$ 399,756	$ 420,756	$ 400,655	$ 20,101
Street Maintenance:				
Salaries	$ 32,000	$ 32,000	$ 28,304	$ 3,696
Payroll taxes	2,448	2,448	2,011	437
Group insurance	7,501	7,501	6,600	901
Retirement expenditures	7,200	7,200	7,200	-
Utilities	2,000	2,000	1,392	608
Solid waste disposal	126,000	126,000	109,694	16,306
Street and traffic lights	44,000	44,000	43,878	122
Gasoline, oil and grease	11,000	11,000	7,229	3,771
Street and road improvements	35,000	28,000	2,208	25,792
Repairs and maintenance	7,000	7,000	4,117	2,883
Groundwater monitoring	27,500	27,500	18,140	9,360
Tools and hardware	300	300	206	94
Miscellaneous	1,700	1,700	915	785
Total Street Maintenance	$ 303,649	$ 296,649	$ 231,894	$ 64,755

CITY OF SPARTA, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Payments to Other Government Agencies:				
CSRA RDC	$ 1,500	$ 1,500	$ 1,312	$ 188
Historical Preservation	200	200	-	200
Streetscape Project	90,000	90,000	19,910	70,090
Better Hometown Project	1,000	1,000	-	1,000
Uncle Remus Library	30,000	30,000	-	30,000
Total Payments to Other Government Agencies	$ 122,700	$ 122,700	$ 21,222	$ 101,478
Debt Service -				
Interest and other charges	$ 1,000	$ 1,000	$ 4,545	$ (3,545)
Capital Outlay:				
General Government	$ 8,000	$ 8,000	$ -	$ 8,000
City Clerk's Office	600	600	-	600
Street Department	101,000	101,000	-	101,000
Police Department	9,000	-	-	-
Total Capital Outlay	$ 118,600	$ 109,600	$ -	$ 109,600
Total Expenditures	$ 1,302,948	$ 1,302,948	$ 966,384	$ 336,564

Other Supplementary Information

Nonmajor Governmental Fund

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

- ***Redevelopment Fund*** – To account for the CDBG redevelopment loan outstanding and the revolving loan fund created by the payments received there from.

CITY OF SPARTA, GEORGIA

EXHIBIT 12

BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND
APRIL 30, 2012

	Special Revenue
	Redevelopment Fund
ASSETS	
Cash	$ 12,692
Notes receivable, net of uncollectible	293,988
Total Assets	$ 306,680
LIABILITIES AND FUND BALANCE	
Liabilities	$ -
Fund Balance -	
Restricted for grant agreement	306,680
Total Liabilities and Fund Balance	$ 306,680

CITY OF SPARTA, GEORGIA

EXHIBIT 13

STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES
NONMAJOR GOVERNMENTAL FUND
FOR THE YEAR ENDED APRIL 30, 2012

	Special Revenue
	Redevelopment Fund
Revenue -	
Interest income	$ 3,136
Expenditures:	
Miscellaneous expenditures	5
Bad debt expenditures	4,890
Total expenditures	4,895
Excess of Revenues Over Expenditures	(1,759)
Fund Balance, Beginning	308,439
Fund Balance, Ending	$ 306,680

CITY OF SPARTA, GEORGIA

EXHIBIT 14

BUDGETARY COMPARISON SCHEDULE – REDEVELOPMENT FUND
FOR THE YEAR ENDED APRIL 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenue -			
Interest income	$ 7,500	$ 3,136	$ (4,364)
Expenditures:			
Bad debt expense	-	4,890	(4,890)
Miscellaneous expenditures	7,500	5	7,495
Total expenditures	7,500	4,895	2,605
Excess of Revenues Over Expenditures	-	(1,759)	(1,759)
Fund Balance, Beginning	-	308,439	308,439
Fund Balance, Ending	$ -	$ 306,680	$ 306,680

Compliance Section

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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 Sparta, Georgia

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sparta, Georgia as of and for the year ended April 30, 2012, which collectively comprise the City of Sparta's basic financial statements and have issued our report thereon dated April 8, 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 Sparta, 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 City of Sparta, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sparta'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 items 12-1 and 12-2. 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 Sparta, 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 one instance of noncompliance or other matters noted as item 12-3 that is required to be reported under *Government Auditing Standards*.

City of Sparta, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of Sparta, 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.

April 8, 2013

CITY OF SPARTA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended April 30, 2012

12-1 Segregation of Duties

Condition

Due to the small size of the City's staff, controls are not practical to provide adequate segregation of duties in the cash receipts and disbursements functions.

Effect

Because of the failure to separate control over cash, errors or fraud that might avoid detection are possible.

Recommendation

The City Council should implement other internal controls in areas where segregation of duties is not practical.

Views of Responsible Officials

We concur and will continue to require dual signatures on checks and council approval for non recurring expenditures, as well as the use of daily reconciliation procedures across department lines to help alleviate the segregation issues.

12-2 Accounts Receivable Delinquencies in Utilities Department

Condition

It was noted during the course of the audit that delinquencies in the Utilities Department accounts receivables, which includes gas receivables, water and sewer receivables and garbage receivables, are excessive. These large receivable balances are partially due to cut-off procedures in place by the Utilities Department.

Effect

The utilities accounts receivable balances continue to increase. During fiscal year ended April 30, 2012, total accounts receivable for all utilities increased by approximately $3,200.

Recommendation

It is recommended that the City continue to enhance their cut-off and collection efforts in the area of accounts receivable.

Views of Responsible Officials

We concur and have entered into an agreement to outsource the collection of delinquent utility accounts. Cut-offs are being made on current customers not paying by the 18th of the month.

12-3 Budgetary

Condition

In the City's General Fund, actual expenditures exceeded budget appropriations in the debt service - interest. 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

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