CITY OF SPARTA, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2013

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FOR THE YEAR ENDED APRIL 30, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the City of Sparta, Georgia, as of April 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 27 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City of Sparta, Georgia has not presented 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 financials 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The 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.

The schedules included in other supplementary information as described in the accompanying table of contents are the responsibility of management and were derived from and relate to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The schedules included in other supplementary information as described in the accompanying table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated January 9, 2014 on our consideration of the City of Sparta, 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* in considering the City of Sparta, Georgia's internal control over financial reporting and compliance.

Wright & Wright, P.C.

January 9, 2014

Basic Financial Statements

CITY OF SPARTA, GEORGIA

Exhibit 1

STATEMENT OF NET POSITION
APRIL 30, 2013

	Primary Government		
	Governmental Activities	**Business-type Activities**	**Total**
Assets			
Cash and cash equivalents	$ 77,556	$ 34,631	$ 112,187
Restricted assets	-	96,425	96,425
Receivables, net of allowances for uncollectible:			
Taxes	222,341	-	222,341
Accounts	13,609	276,434	290,043
Intergovernmental	14,376	-	14,376
Other	-	38,373	38,373
Internal balances	253,149	(253,149)	-
Notes receivable	299,676	-	299,676
Prepaid expenses	6,090	12,180	18,270
Capital assets:			
Land and other non-depreciable assets	15,500	338,288	353,788
Other capital assets, net of depreciation	411,941	9,574,207	9,986,148
Total Assets	1,314,238	10,117,389	11,431,627
Liabilities			
Bank overdraft	-	364	364
Accounts payable	253,522	356,147	609,669
Accrued interest payable	-	18,428	18,428
Other current liabilities	9,802	34,833	44,635
Compensated absences payable - current	138,996	67,805	206,801
Short term notes payable	100,500	-	100,500
Customer deposits	-	88,534	88,534
Deferred revenues	14,337	-	14,337
Long-term obligations:			
Due within one year	-	443,739	443,739
Due in more than one year	-	6,781,200	6,781,200
Total Liabilities	517,157	7,791,050	8,308,207
Net Position			
Net investment in capital assets	427,441	2,687,556	3,114,997
Restricted for:			
Debt service	-	24,590	24,590
Capital outlay	10,112	-	10,112
Grant agreement	303,273	-	303,273
Unrestricted	56,255	(385,807)	(329,552)
Total Net Position	$ 797,081	$ 2,326,339	$ 3,123,420

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

CITY OF SPARTA, GEORGIA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2013

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 Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary Government							
Governmental Activities:							
General government	$ 317,534	$ 21,628	$ -	$ -	$ (295,906)	$ -	$ (295,906)
Administration	58,424	-	-	-	(58,424)	-	(58,424)
Public safety	414,128	68,928	-	-	(345,200)	-	(345,200)
Street maintenance	217,069	115,179	-	103,254	1,364	-	1,364
Interest on debt	4,970	-	-	-	(4,970)	-	(4,970)
Economic development	1,400	-	-	-	(1,400)	-	(1,400)
Total governmental activities	1,013,525	205,735	-	103,254	(704,536)	-	(704,536)
Business-type Activities:							
Water and sewer	1,957,795	1,360,003	-	-	-	(597,792)	(597,792)
Gas	740,670	782,420	-	-	-	41,750	41,750
Total business-type activities	2,698,465	2,142,423	-	-	-	(556,042)	(556,042)
Total primary government	$ 3,711,990	$ 2,348,158	$ -	$ 103,254	(704,536)	(556,042)	(1,260,578)
General revenues:							
Property taxes					299,350	-	299,350
Franchise fees					85,310	-	85,310
Local option sales tax					141,363	-	141,363
TSPLOST					10,112	-	10,112
Insurance premium tax					69,748	-	69,748
Motor vehicle/mobile home taxes					19,719	-	19,719
Beer/liquor/wine taxes					55,799	-	55,799
Occupation taxes					23,566	-	23,566
Unrestricted investment earnings					84	466	550
Miscellaneous					12,661	-	12,661
Transfers					113,000	(113,000)	-
Total general revenues and transfers					830,712	(112,534)	718,178
Change in net position					126,176	(668,576)	(542,400)
Net position - beginning					670,905	2,994,915	3,665,820
Net position -ending					$ 797,081	$ 2,326,339	$ 3,123,420

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, 2013

	General	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 52,280	$ 25,276	$ 77,556
Receivables, net of allowances for uncollectibles:			
Taxes	222,341	-	222,341
Accounts	13,609	-	13,609
Intergovernmental	11,606	2,770	14,376
Notes receivable	-	299,676	299,676
Due from other funds	257,111	-	257,111
Prepaid expenditures	6,090	-	6,090
Total Assets	$ 563,037	$ 327,722	$ 890,759
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 253,522	$ -	$ 253,522
Accrued expenses	9,802	-	9,802
Short-term notes payable	100,500	-	100,500
Due to other funds	3,962	-	3,962
Deferred revenues	240,289	14,337	254,626
Total Liabilities	608,075	14,337	622,412
Fund Balances (Accumulated Deficit):			
Restricted for grant agreement	-	303,273	303,273
Restricted for capital outlay	-	10,112	10,112
Unreserved, reported in General Fund	(45,038)	-	(45,038)
Total Fund Balances (Accumulated Deficit)	(45,038)	313,385	268,347
Total Liabilities and Fund Balances (Accumulated Deficit)	$ 563,037	$ 327,722	$ 890,759

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 POSITION TO TOTAL FUND BALANCE – GOVERNMENTAL FUNDS ON THE BALANCE SHEET FOR THE YEAR ENDED APRIL 30, 2013

Fund balance - total governmental funds	$	268,347
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		(138,996)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		240,289
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		427,441
Net position of governmental activities	$	797,081

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, 2013

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 669,647	$ 10,112	$ 679,759
Licenses and permits	21,628	-	21,628
Fines and forfeitures	68,928	-	68,928
Charges for services	109,829	-	109,829
Grant revenues	103,254	-	103,254
Other revenues	9,644	3,101	12,745
Total revenues	982,930	13,213	996,143
Expenditures:			
Current:			
General government	229,501	6,508	236,009
Administration	58,424	-	58,424
Public safety	374,352	-	374,352
Street maintenance	214,108	-	214,108
Intergovernmental payments to other governments or agencies	1,400	-	1,400
Debt service	4,970	-	4,970
Capital outlay	246,799	-	246,799
Total expenditures	1,129,554	6,508	1,136,062
Deficiency of Revenues Under Expenditures	(146,624)	6,705	(139,919)
Other Financing Source -			
Transfers in	113,000	-	113,000
Net Change in Fund Balance	(33,624)	6,705	(26,919)
Fund Balance (Accumulated Deficit), Beginning	(11,414)	306,680	295,266
Fund Balance (Accumulated Deficit), Ending	$ (45,038)	$ 313,385	$ 268,347

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, 2013

Net change in fund balances - total governmental funds	$ (26,919)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays, reported as expenditures in governmental funds, are shown as capital assets in the Statement of Net Assets as follows -	
Total capital outlay reported as expenditures	246,789
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	(50,387)
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	25,208
Charges for service	5,350
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	(73,865)
Change in net position of governmental activities	$ 126,176

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Taxes	$ 1,008,046	$ 885,721	$ 669,647	$ (216,074)
Licenses and permits	19,400	19,400	21,628	2,228
Fines and forfeitures	100,000	100,000	68,928	(31,072)
Charges for services	120,000	120,000	109,829	(10,171)
Grant revenues	-	122,325	103,254	(19,071)
Other revenues	20,025	20,025	9,644	(10,381)
Total revenues	1,267,471	1,267,471	982,930	(284,541)
Expenditures:				
General government	372,073	312,950	229,501	83,449
Administration	72,607	72,607	58,424	14,183
Public safety	457,607	450,820	374,352	76,468
Street maintenance	324,670	346,745	214,108	132,637
Payments to other governmental agencies	2,700	2,700	1,400	1,300
Debt service	1,000	6,000	4,970	1,030
Capital outlay	236,814	275,649	246,799	28,850
Total expenditures	1,467,471	1,467,471	1,129,554	337,917
Deficiency of Revenues Under Expenditures	(200,000)	(200,000)	(146,624)	53,376
Other Financing Sources:				
Proceeds from long term debt	100,000	100,000	-	(100,000)
Transfers in	100,000	100,000	113,000	13,000
Total other financing sources	200,000	200,000	113,000	(87,000)
Deficiency of Revenues and Other Financing Source Under Expenditures	-	-	(33,624)	(33,624)
Fund Balance (Accumulated Deficit), Beginning	(11,414)	(11,414)	(11,414)	-
Fund Balance (Accumulated Deficit), Ending	$ (11,414)	$ (11,414)	$ (45,038)	$ (33,624)

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

CITY OF SPARTA, GEORGIA

EXHIBIT 8

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2013

	Enterprise Funds		
	Water and Sewer Fund	**Natural Gas Fund**	**Total**
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ -	$ 34,631	$ 34,631
Receivables, net	176,583	99,851	276,434
Other receivables	-	38,373	38,373
Due from other funds	-	50,085	50,085
Prepaid expenses	6,090	6,090	12,180
Total current assets	182,673	229,030	411,703
Noncurrent assets:			
Restricted assets - cash	96,425	-	96,425
Capital assets:			
Land and other non-depreciable assets	335,341	2,947	338,288
Other capital assets, net of depreciation	9,547,292	26,915	9,574,207
Total noncurrent assets	9,979,058	29,862	10,008,920
Total Assets	10,161,731	258,892	10,420,623
LIABILITIES:			
Current Liabilities:			
Bank overdraft	364	-	364
Accounts payable	151,847	204,300	356,147
Accrued interest payable	18,428	-	18,428
Accrued expenses	10,213	24,620	34,833
Due to other funds	303,234	-	303,234
Compensated absences payable - current	60,190	7,615	67,805
Customer deposits	88,534	-	88,534
Bonds and notes payables	443,739	-	443,739
Total current liabilities	1,076,549	236,535	1,313,084
Noncurrent liabilities-			
Bonds and notes payables	6,781,200	-	6,781,200
Total Liabilities	7,857,749	236,535	8,094,284
NET POSITION:			
Net investment in capital assets	2,657,694	29,862	2,687,556
Unrestricted	(378,302)	(7,505)	(385,807)
Restricted for debt service	24,590	-	24,590
Total Net Position	$ 2,303,982	$ 22,357	$ 2,326,339

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, 2013

	Enterprise Funds		
	Water and Sewer Fund	**Natural Gas Fund**	**Total**
Operating Revenues:			
Water revenues	$ 715,021	$ -	$ 715,021
Sewer revenues	627,001	-	627,001
Gas revenues	-	774,361	774,361
Penalties	17,981	8,059	26,040
Total operating revenues	1,360,003	782,420	2,142,423
Operating Expenses:			
Salaries	358,920	117,255	476,175
Payroll taxes	25,649	8,994	34,643
Retirement expense	14,100	10,800	24,900
Group insurance	20,754	20,225	40,979
Workers compensation insurance	11,412	29,725	41,137
Natural gas purchases	-	399,220	399,220
Travel expenses	6,462	10,595	17,057
Office expenses	5,729	6,014	11,743
Insurance	14,665	13,628	28,293
Repairs and maintenance	82,911	41,706	124,617
Professional and technical services	47,694	24,808	72,502
Testing and monitoring	26,335	-	26,335
Depreciation	683,857	6,048	689,905
Pumping expense	105,309	-	105,309
Advertising	1,045	-	1,045
Supplies	14,524	3,264	17,788
Chemicals	55,641	-	55,641
Telephone	3,787	4,397	8,184
Utilities	95,236	3,774	99,010
Uniforms	-	4,498	4,498
Miscellaneous	49,268	35,719	84,987
Total operating expenses	1,623,298	740,670	2,363,968
Operating income (loss)	(263,295)	41,750	(221,545)
Non-operating Revenue (Expense):			
Interest income	412	54	466
Interest expense	(334,497)	-	(334,497)
Total non-operating revenue (expense)	(334,085)	54	(334,031)
Net income (loss) before transfer	(597,380)	41,804	(555,576)
Transfer to other funds	-	(113,000)	(113,000)
Change in net position	(597,380)	(71,196)	(668,576)
Total net position, beginning	2,901,362	93,553	2,994,915
Total net position, ending	$ 2,303,982	$ 22,357	$ 2,326,339

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, 2013

	Enterprise Funds		
	Water and Sewer Fund	**Natural Gas Fund**	**Total**
Cash Flows from Operating Activities:			
Receipts from customers	$ 1,303,371	$ 745,299	$ 2,048,670
Payments to suppliers	(420,751)	(365,786)	(786,537)
Payments to employees	(403,105)	(205,217)	(608,322)
Payments to others	(70,309)	(33,802)	(104,111)
Payments from (to) other funds	114,993	2,157	117,150
Net cash provided by (used in) operating activities	524,199	142,651	666,850
Cash Flows from Noncapital Financing Activities -			
Transfer from (to) other funds	-	(113,000)	(113,000)
Net cash provided by (used in) by noncapital financing activities	-	(113,000)	(113,000)
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(126,237)	-	(126,237)
Borrowings of capital debt	113,583	-	113,583
Principal payments on capital debt	(220,626)	-	(220,626)
Interest payments on capital debt	(332,625)	-	(332,625)
Net cash used in capital and related financing activities	(565,905)	-	(565,905)
Cash Flows from Investing Activities -			
Interest income	412	54	466
Net increase (decrease) in cash and cash equivalents	(41,294)	29,705	(11,589)
Balances - beginning of year	137,719	4,926	142,645
Balances - end of year	$ 96,425	$ 34,631	$ 131,056
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$ (263,295)	$ 41,750	$ (221,545)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	683,857	6,048	689,905
Net change in assets and liabilities attributable to operations:			
Accounts receivable	(57,247)	(37,641)	(94,888)
Other receivables	-	854	854
Customers deposits	615	-	615
Accounts payable	19,004	132,806	151,810
Accrued expenses payable	3,034	-	3,034
Due from other funds	-	2,157	2,157
Prepaid expenses	(334)	(334)	(668)
Bank overdraft	364	-	364
Compensated absences payable	23,208	(2,989)	20,219
Due to other funds	114,993	-	114,993
	$ 524,199	$ 142,651	$ 666,850
Components of Cash and Cash Equivalents:			
Unrestricted cash and cash equivalents	$ -	$ 34,631	$ 34,631
Restricted cash and cash equivalents	96,425	-	96,425
Total cash and cash equivalents	$ 96,425	$ 34,631	$ 131,056

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, 2013, 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 Funds* 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.

The *Capital Projects Fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds. The City currently utilizes the TSPLSOT Fund as a Capital Projects 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 $345,528. Of this amount, $6,061 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 City 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 City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Assigned – Funds balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

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

The City 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 City would then use committed, assigned and lastly, unassigned amounts from the unrestricted fund balances when expending funds.

Net Assets

Net investment in capital assets – 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 position – This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.

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

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.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investments – The Government owns no investments as of April 30, 2013.

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, 2013, $0 of the government's bank balance was exposed to custodial credit risk.

As of April 30, 2013, 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 13.9 mills on the tax value of all taxable property in the City for calendar year 2012. The net digest for 2012 on property in the City was $20,854,317 and the tax levied amounted to $289,875. 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 2012 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, 2013, is composed of the following:

Year of Levy:		
2012	$	94,010
2011		67,047
2010		54,861
2009		30,647
2008		25,034
2007		19,923
2006		12,408
Prior to 2006		27,976
Total taxes receivable		331,906
Less - allowance for uncollectibles		(109,565)
Net receivable	$	222,341

The allowance for uncollectible property taxes was determined as follows:

Year of Levy	Percentage Allocation	Outstanding Balance	Amount Allocated To Reserve
2012	10%	$ 94,010	$ 9,401
2011	20%	67,047	13,409
2010	30%	54,861	16,458
2009	40%	30,647	12,259
2008	50%	25,034	12,517
2007	60%	19,923	11,954
2006	70%	12,408	8,686
2005	80%	9,609	7,687
2004	90%	11,728	10,555
2003	100%	6,639	6,639
Total		$ 331,906	$ 109,565

C. Accounts Receivable

Primary Government

Receivables at April 30, 2013 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	$ 331,906	$ -	$ -	$ -
Notes	-	-	-	299,676
Intergovernmental	11,606	-	-	2,770
Accounts	39,864	517,249	292,486	-
Other	-	-	38,373	-
Gross receivables	383,376	517,249	330,859	302,446
Less: allowance for Uncollectibles	(135,820)	(340,666)	(192,635)	-
Net total receivables	$ 247,556	$ 176,583	$ 138,224	$ 302,446

D. Capital Assets

Primary Government

Capital asset activity for the year ended April 30, 2013 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	244,689	-	264,232
Furniture and fixtures	2,223	-	-	2,223
Machinery and equipment	92,989	2,100	-	95,089
Autos and trucks	636,540	-	-	636,540
Total other capital assets at historical cost	1,070,824	246,789	-	1,317,613
Less accumulated depreciation:				
Buildings and improvements	255,442	7,056	-	262,498
Infrastructure	3,420	977	-	4,397
Furniture and fixtures	2,222	-	-	2,222
Machinery and equipment	72,262	5,046	-	77,308
Autos and trucks	521,939	37,308	-	559,247
Total accumulated depreciation	855,285	50,387	-	905,672
Other capital assets, net	215,539	196,402	-	411,941
Governmental activities capital assets, net	$ 231,039	$ 196,402	$ -	$ 427,441

	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	20,229,448	126,237	-	20,355,685
Machinery and equipment	338,381	-	-	338,381
Furniture and fixtures	20,707	-	-	20,707
Total other capital assets at historical cost	20,608,893	126,237	-	20,735,130
Less accumulated depreciation:				
Buildings	23,728	721	-	24,449
Utility systems	10,196,632	660,841	-	10,857,473
Machinery and equipment	236,564	26,996	-	263,560
Furniture and fixtures	14,094	1,347	-	15,441
Total accumulated depreciation	10,471,018	689,905	-	11,160,923
Other capital assets, net	10,137,875	(563,668)	-	9,574,207
Business-type activities capital assets, net	$ 10,476,163	$ (563,668)	$ -	$ 9,912,495

Governmental activities depreciation expense:	
General Government	$ 7,650
Public Safety	39,776
Street Maintenance	2,961
Total governmental activities depreciation expense:	$ 50,387
Business-type activities:	
Water	$ 683,857
Natural Gas	6,048
Total business-type activities depreciation expense	$ 689,905

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of April 30, 2013 is as follows:

Receivable Fund	Payable Fund	
General Fund	Water and Sewer Fund	$ 257,111
Gas Fund	Water and Sewer Fund	46,123
	General Fund	3,962
		$ 307,196

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	$ -	$ 113,000
Gas Fund	113,000	-
Total transfers	$ 113,000	$ 113,000

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, 2013, 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, 2013, 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, 2013 was $22,302.

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, 2013 was $2,288.

The following is a summary of long-term debt at April 30, 2013:

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	$ 210,363	$ 210,363	$ -
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.	361,781	58,596	303,185
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.	36,932	5,877	31,055
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.	1,216,098	52,191	1,163,907
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.	727,441	31,219	696,222
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.	2,196,504	45,302	2,151,202
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.	2,475,820	40,191	2,435,629
Total Revenue bonds held by the U.S. Farmers Home Administration	$ 7,224,939	$ 443,739	$ 6,781,200

Long-term liability activity for the year ended April 30, 2013 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	$ 65,131	$ 73,865	$ -	$ 138,996	$ 138,996	$ -

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	$ 47,586	$ 20,219	$ -	$ 67,805	$ 67,805	$ -
Notes payable - Bank of Hancock County	96,780	113,583	-	210,363	210,363	-
Water and sewer bonds - Series 1980-A	418,610	-	56,829	361,781	58,596	303,185
Water and sewer bonds - Series 1981	42,742	-	5,810	36,932	5,877	31,055
Water and sewer bonds - Series 1990-A	1,264,795	-	48,697	1,216,098	52,191	1,163,907
Water and sewer bonds - Series 1990-B	755,944	-	28,503	727,441	31,219	696,222
Water and sewer bonds - Series 2000-A	2,234,482	-	37,978	2,196,504	45,302	2,151,202
Water and sewer bonds - Series 2000-B	2,518,629	-	42,809	2,475,820	40,191	2,435,629
Total Business-Type Activities	$ 7,379,568	$ 133,802	$ 220,626	$ 7,292,744	$ 511,544	$ 6,781,200

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

Year Ending April 30	Principal	Interest
2014	233,376	319,956
2015	245,870	307,462
2016	256,931	296,401
2017	269,587	283,745
2018	282,869	270,463
2019-2023	1,207,359	1,180,850
2024-2028	1,495,122	858,738
2029-2033	1,027,802	547,951
2034-2038	1,150,594	314,606
2039-2041	845,066	87,263
Total	$ 7,014,576	$ 4,467,435

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

Year Ending April 30	Principal
2014	$ 210,363

H. Short - Term Debt

Short-term liability activity for the primary government for the year ended April 30, 2013 was as follows:

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

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, 2013 and 2012, the City paid employee workers compensation claims in the amount of approximately $40,961 and $52,944, 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:

	2013	2012
Claims Liability, Beginning	$ -	$ -
Claims incurred throughout the year	40,961	52,944
Payment of claims	(40,961)	(52,944)
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, 2013 totaled approximately $35,700. 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, 2012	$ 306,680
Net change	(3,407)
Balance, April 30, 2013	$ 303,273

Asserted Claims

As of April 30, 2013, 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 $1,400 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, 2013 was $283,368, 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. Subsequent Events

The City performed an evaluation of subsequent events through January 9, 2014, 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.

Subsequent to April 30, 2013, the City approved a loan resolution from the USDA in regards to the Wastewater Improvement Project. Under this resolution, the City will obtain a $281,000 loan and a $607,650 grant from the USDA for the project. In addition, subsequent to April 30, 2013, the City approved the issuance of $1.7 million in bonds relating to the project.

Required Supplementary Information Other Than Management's Discussion and Analysis

CITY OF SPARTA, GEORGIA

EXHIBIT 11
PAGE 1 OF 4

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes Revenues:				
General property taxes and public utilities	$ 582,046	$ 459,721	$ 274,142	$ (185,579)
Occupation taxes	26,000	26,000	23,566	(2,434)
Franchise fees	96,000	96,000	85,310	(10,690)
Vehicle taxes	17,000	17,000	18,227	1,227
Mobile home taxes	2,000	2,000	1,492	(508)
Beer, liquor, wine tax	55,000	55,000	55,799	799
Local option sales tax	160,000	160,000	141,363	(18,637)
Insurance premium tax	70,000	70,000	69,748	(252)
Total taxes revenues	1,008,046	885,721	669,647	(216,074)
Fines and Forfeitures-				
Municipal Court fines and forfeitures	100,000	100,000	68,928	(31,072)
Licenses and Permits:				
Building permits	5,000	5,000	2,435	(2,565)
Parade permits	400	400	400	-
Beer and liquor licenses	13,000	13,000	17,518	4,518
Regulatory fees	-	-	525	525
Re-zoning application fees	1,000	1,000	750	(250)
Total licenses and permits	19,400	19,400	21,628	2,228
Charges for Services-				
Garbage fees	120,000	120,000	109,829	(10,171)
Grant Revenue -				
Georgia Department of Transportation grant	-	122,325	103,254	(19,071)
Other Revenue -				
Miscellaneous revenues	20,025	20,025	9,644	(10,381)
Total Revenues	$ 1,267,471	$ 1,267,471	$ 982,930	$ (284,541)

CITY OF SPARTA, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures:				
General Government:				
Salaries	$ 51,200	$ 51,200	$ 49,481	$ 1,719
Payroll taxes	6,673	6,673	6,099	574
Workers compensation reserve fund	31,000	32,700	31,205	1,495
Service contracts	10,000	10,300	4,953	5,347
Utilities	10,000	7,000	5,180	1,820
Telephone	5,000	5,000	3,907	1,093
Supplies	5,000	3,000	2,734	266
Landfill expenditures	32,000	32,000	11,655	20,345
Dues and subscriptions	2,000	2,000	1,574	426
Professional services	43,000	32,460	43,458	(10,998)
Repairs and maintenance	16,300	8,500	3,431	5,069
Insurance - general	7,501	7,501	21,903	(14,402)
Election/Registration expenditures	20,000	2,000	69	1,931
Postage	3,000	4,100	3,952	148
Equipment rental	800	800	6,489	(5,689)
Travel and training	5,000	2,000	1,871	129
GSCCCA	18,500	18,500	9,901	8,599
Advertising	2,000	2,000	1,896	104
Miscellaneous expenditures	103,099	85,216	19,743	65,473
Total General Government	$ 372,073	$ 312,950	$ 229,501	$ 83,449
Administration:				
Salaries:				
Mayor	$ 9,500	$ 9,400	$ 8,525	$ 875
Council	13,000	13,000	12,275	725
City Clerk's office	16,000	16,000	14,455	1,545
Payroll taxes	3,807	3,807	2,701	1,106
Retirement expenditures	3,600	3,600	3,600	-
Telephone	900	900	1,150	(250)
Repairs and maintenance	700	800	369	431
Gas and oil	100	100	-	100
Travel and training	18,400	18,400	11,324	7,076
Recorders court	3,600	3,600	3,300	300
Dues and subscriptions	2,200	2,200	615	1,585
Miscellaneous expenditures	800	800	110	690
Total Administration	$ 72,607	$ 72,607	$ 58,424	$ 14,183

CITY OF SPARTA, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Public Safety:				
Salaries:				
Police department	$ 280,000	$ 268,588	$ 256,315	$ 12,273
Fire department	20,000	16,000	12,750	3,250
Payroll taxes	38,021	38,021	20,275	17,746
Retirement expenditures	4,500	4,500	4,500	-
Workers compensation insurance	800	800	42	758
Group insurance	7,200	7,200	6,918	282
Utilities	18,500	18,500	14,914	3,586
Clothing and uniforms	5,500	5,500	1,006	4,494
Supplies	8,661	9,186	8,145	1,041
Tools and hardware	200	200	-	200
Telephone	11,200	14,200	12,234	1,966
Repairs and maintenance	21,825	25,825	9,278	16,547
Gasoline and oil	20,600	20,600	16,878	3,722
Travel and training	5,450	5,450	1,513	3,937
Donations	600	600	600	-
Miscellaneous	14,550	15,650	8,984	6,666
Total Public Safety	$ 457,607	$ 450,820	$ 374,352	$ 76,468
Street Maintenance:				
Salaries	$ 32,000	$ 32,000	$ 28,859	$ 3,141
Payroll taxes	4,170	4,170	2,068	2,102
Group insurance	7,200	7,200	6,918	282
Workers compensation insurance	500	500	268	232
Retirement expenditures	7,200	7,200	7,200	-
Utilities	1,800	1,800	1,545	255
Solid waste disposal	126,000	126,000	96,752	29,248
Street and traffic lights	60,000	60,000	43,552	16,448
Gasoline, oil and grease	8,000	8,000	6,105	1,895
Street and road improvements	30,000	30,000	20	29,980
Repairs and maintenance	14,700	14,200	3,457	10,743
Groundwater monitoring	30,000	30,000	11,880	18,120
Tools and hardware	500	500	270	230
Miscellaneous	2,600	25,175	5,214	19,961
Total Street Maintenance	$ 324,670	$ 346,745	$ 214,108	$ 132,637

CITY OF SPARTA, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2013

	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	$ 1,400	$ 100
Historical Preservation	200	200	-	200
Better Hometown Project	1,000	1,000	-	1,000
Total Payments to Other Government Agencies	$ 2,700	$ 2,700	$ 1,400	$ 1,300
Debt Service -				
Interest and other charges	$ 1,000	$ 6,000	$ 4,970	$ 1,030
Capital Outlay:				
General Government	$ 126,000	213,049	$ 246,799	$ (33,750)
City Clerk's Office	600	600	-	600
Street Department	103,000	48,000	-	48,000
Police Department	7,214	14,000	-	14,000
Total Capital Outlay	$ 236,814	$ 275,649	$ 246,799	$ 28,850
Total Expenditures	$ 1,467,471	$ 1,467,471	$ 1,129,554	$ 337,917

Other Supplementary Information

Nonmajor Governmental Funds

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.

Capital Projects Funds are used to account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

- ***TSPLOST Fund*** – To account for the TSPLOST and LMIG funds received that are legally restricted to expenditure for particular purposes.

CITY OF SPARTA, GEORGIA

EXHIBIT 12

BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND
APRIL 30, 2013

	Special Revenue	Capital Project	
	Redevelopment Fund	TSPLOST Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash	$ 3,597	$ 21,679	$ 25,276
Intergovernmental receivable	-	2,770	2,770
Notes receivable, net of uncollectible	299,676	-	299,676
Total Assets	$ 303,273	$ 24,449	$ 327,722
LIABILITIES AND FUND BALANCE			
Liability			
Deferred revenue	$ -	$ 14,337	$ 14,337
Fund Balance -			
Restricted for grant agreement	303,273	-	303,273
Restricted for capital outlay	-	10,112	10,112
Total fund balance	303,273	10,112	313,385
Total Liabilities and Fund Balance	$ 303,273	$ 24,449	$ 327,722

CITY OF SPARTA, GEORGIA

EXHIBIT 13

STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES
NONMAJOR GOVERNMENTAL FUND
FOR THE YEAR ENDED APRIL 30, 2013

	Special Revenue	Capital Project	
	Redevelopment Fund	TSPLOST Fund	Total Nonmajor Governmental Funds
Revenues:			
TSPLOST Income	$ -	$ 10,112	$ 10,112
Interest income	3,101	-	3,101
Total revenues	3,101	10,112	13,213
Expenditures:			
Landfill expenditures	2,500	-	2,500
Repairs and maintenance	2,010	-	2,010
Supplies	1,998	-	1,998
Total expenditures	6,508	-	6,508
Excess of Revenues Over Expenditures	(3,407)	10,112	6,705
Fund Balance, Beginning	306,680	-	306,680
Fund Balance, Ending	$ 303,273	$ 10,112	$ 313,385

CITY OF SPARTA, GEORGIA

EXHIBIT 14

BUDGETARY COMPARISON SCHEDULE – REDEVELOPMENT FUND
FOR THE YEAR ENDED APRIL 30, 2013

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenue -			
Interest income	$ 7,500	$ 3,101	$ (4,399)
Expenditures:			
Landfill expenditures	-	2,500	(2,500)
Repairs and maintenance	7,500	2,010	5,490
Supplies	-	1,998	(1,998)
Total expenditures	7,500	6,508	992
Excess of Revenues Over Expenditures	-	(3,407)	(3,407)
Fund Balance, Beginning	-	306,680	306,680
Fund Balance, Ending	$ -	$ 303,273	$ 303,273

CITY OF SPARTA, GEORGIA

EXHIBIT 15

BUDGETARY COMPARISON SCHEDULE – TSPLOST FUND
FOR THE YEAR ENDED APRIL 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenue -			
TSPLOST income	$ -	$ 10,112	$ 10,112
Expenditures	-	-	-
Excess of revenues Over expenditures	-	10,112	10,112
Fund Balance, Beginning	-	-	-
Fund Balance, Ending	$ -	$ 10,112	$ 10,112

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, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Sparta's basic financial statements and have issued our report thereon dated January 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sparta, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sparta, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sparta's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting noted as item 13-1 and 13-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sparta Georgia's financial statements are free from 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*.

City of Sparta, Georgia's Response to Findings

City of Sparta, Georgia's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Sparta, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wright & Wright, P.C.

January 9, 2014

CITY OF SPARTA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended April 30, 2013

13-1 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.

13-2 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, 2013, total accounts receivable for all utilities increased by approximately $95,900.

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.

CITY OF SPARTA
114 Broad Street
Sparta, Georgia 31087

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

Gentlemen:

The following constitutes our corrective action plan regarding the findings and recommendations in our audit report for the year ended April 30, 2013.

With respect to the findings in the "Independent Auditor's Report on Internal Control Structure Based on an Audit of General Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*," we submit the following comments:

We annually review our system of internal control after our audited financial statements are received, along with any suggestions from the accounting firm as to improvements that can be made to strengthen controls.

1. 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. The City requires 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.

2. 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. The City has 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.

We feel that our internal control system is as strong as possible in the above described situation with the limited number of personnel involved. As indicated in the auditor's report, no significant errors or irregularities were found because of our lack of segregation of duties.

Should you need any further explanation of this matter please contact us.

Sincerely,

Wm. Evans Jr.

William Evans, Jr.
Mayor, City of Sparta

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INDEPENDENT ACCOUNTANTS' REPORT

We have examined management's assertion included in the accompanying State of Georgia Grant Certification Form about the City of Sparta, Georgia's compliance during the fiscal year ended April 30, 2013 with the requirement to use grant proceeds solely for the purpose or purposes for which the grant was made for each of the following grant awards:

Georgia Department of Community Affairs Local Assistance Grant (02-C-L-146)

Management is responsible for the City of Sparta, Georgia's compliance with this requirement. Our responsibility is to express an opinion on management's assertion about Hancock County, Georgia's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City of Sparta, Georgia's compliance with this requirement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Sparta, Georgia's compliance with the specified requirement.

In our opinion, management's assertion that the City of Sparta, Georgia complied with the aforementioned requirement for the fiscal year ended April 30, 2013 is fairly stated, in all material respects.

Wright & Wright, P.C.

January 15,2014

STATE OF GEORGIA GRANT CERTIFICATION FORM

A	Local Government	City of Sparta, Georgia
B	Information For Year Ended	04/30/13
C	State Awarding Agency	Georgia Department of Community Affairs
D	Grant Identification Number	02-C-L-146
E	Grant Title	Local Assistance Grant
F	Grant Award Date	03/12/02
G	Grant Amount	$5,000.00
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)	$2,517.00
I	Grant Receipts or Revenue Recognized	$ 0.00
J	Grant Disbursements or Expenditures	$2,517.00
K	Balance - Current Year (Cash or Accrued or Deferred Revenue) (Line H + Line I - Line J)	$ 0.00

Certification of Local Government Officials

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose or purposes for which the grant was made. I understand that failure to comply with the provisions of the law applicable to this grant award shall result in a forfeiture of such grant and the return to the state of any such grant funds received.

Signature of Chief Elected Official _____ Date 1/19/14

Signature of Chief Financial Officer Virginia M. Brown Date 1/19/14