CITY OF SYLVANIA, GEORGIA

AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2012

City of Sylvania, Georgia
Annual Financial Report
For the Year Ended December 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council
City of Sylvania, Georgia

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Sylvania, Georgia, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Report on 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, 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 units, each major fund, and the aggregate remaining fund information of the City of Sylvania, Georgia, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance 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 the management's discussion and analysis and budgetary comparison information on pages 6-14 and 48-50 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sylvania, Georgia's basic financial statements. The combining and individual fund statements and other schedules, (pages 51 though 73), including the Schedule of Hotel/Motel Tax and the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included on pages 51 through 73 are the responsibility of management and were derived from and relate directly 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 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare 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, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2013, on our consideration of City of Sylvania, 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* in considering City of Sylvania, Georgia's internal control over financial reporting and compliance.

Caine, Hodge & Company, P.C.

Rincon, Georgia
June 28, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Sylvania, Georgia's (the City) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the calendar year ended December 31, 2012. We discuss and analyze the City's financial performance within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities by $10,924,746 (net assets) for the calendar year reported.
- Total net assets are comprised of the following:
  (1) Capital assets, net of related debt, of $8,575,300 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  (2) Net assets of $1,064,736 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net assets of $1,284,710 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of $1,981,662 this year. This compares to the prior year ending fund balance of $4,098,540 showing a decrease of $2,116,878 during the current year. Unreserved general fund balance of $876,848 for calendar year 2012 shows a $2,123,488 decrease from the prior year balance.
- At the end of the current calendar year, unreserved fund balance for the General Fund was $876,848, or 27% of total General Fund expenditures.
- Overall, the City's financial position has declined due to the decline in the electric utility.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets.* This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities,* which reports how the City's net assets changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by property taxes and sales taxes from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, and streets. Business-type activities include the water and sewer system, the electric system, the gas system and sanitation services.

The government-wide financial statements are presented on pages 15 & 16 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term calendar accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 17-20 of this report.

Individual fund information for non-major governmental funds is found in combining and individual fund statements in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The four City proprietary funds are classified as enterprise funds. The enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization for water and sewer, gas and electric utilities and sanitation services.

The basic enterprise fund financial statements are presented on pages 21-24 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning some of the City's budget presentations as well as some comparative information. Budgetary comparison schedules for all other governmental funds can be found in a later section of this report. As discussed, the City reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report beginning on page 52.

Financial Analysis of the City as a Whole

The City's net assets at December 31, 2012 are $11,384,812. The following table provides a summary of the City's net assets:

	2012			2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current assets	$ 1,316,093	$ 6,140,604	$ 7,456,697	$ 3,398,874	$ 3,423,141	$ 6,822,015
Restricted assets	949,653	723	950,376	875,520	1,662,750	2,538,270
Capital assets	3,352,240	5,510,183	8,862,423	3,490,590	5,757,542	9,248,132
Total assets	5,617,986	11,651,510	17,269,496	7,764,984	10,843,433	18,608,417
Liabilities:						
Current liabilities	286,055	5,442,331	5,728,386	181,925	6,349,984	6,531,909
Long-term liabilities	260,064	356,300	616,364	167,379	524,317	691,696
Total liabilities	546,119	5,798,631	6,344,750	349,304	6,874,301	7,223,605
Net assets:						
Invested in capital assets, net of debt	3,276,010	5,299,290	8,575,300	3,458,752	5,321,739	8,780,491
Restricted	1,064,013	723	1,064,736	1,082,425	1,662,750	2,745,175
Unrestricted	731,844	552,866	1,284,710	2,874,503	(3,015,357)	(140,854)
Total net assets	$ 5,071,867	$ 5,852,879	$ 10,924,746	$ 7,415,680	$ 3,969,132	$ 11,384,812

The City continues to maintain an adequate current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 4.60 to 1, which is a decrease from 2011 due to a decrease in cash and an increase in accrued payroll. For business type activities the current ratio is 1.13 to 1 which is an increase of 110% from 2011 due to release of some restricted funds. For the City overall, the current ratio is 1.30 to 1.

The City reported positive balances in net assets for governmental and business-type activities. Net assets decreased $2,343,813 for governmental activities and increased $1,883,747 for business-type activities. The City's overall financial position is declining and continues to be threatened due to the volatility in the energy market, which could result in a decrease in the operating profits of the electric and gas utilities.

Note that approximately 65% of the governmental activities' net assets are tied up in capital. The City uses these capital assets to provide services to its citizens. However, with business type activities, the City has spent approximately 91% of its net assets on capital. Capital assets in the business-type activities also provide utility services, but they also generate revenues for this fund. Seventy-nine percent of the City's total net assets are included in capital assets.

The following table provides a comparative summary of the City's changes in net assets:

Summary of Changes in Net Assets

	2012				2011			
	Governmental Activities	Business-type Activities	Total	Percentage of Total	Governmental Activities	Business-type Activities	Total	Percentage of Total
Revenues:								
Program:								
Charges for services	$ 304,724	$ 33,246,118	$ 33,550,842	96.3%	$ 331,581	$ 38,744,262	$ 39,075,843	95.0%
Operating grants	70,168		70,168	0.2%	65,600		65,600	0.2%
Capital grants and other	165,863	177,148	343,011	1.0%	196,583	957,756	1,154,339	2.8%
General:								
Taxes	821,010		821,010	2.4%	767,549		767,549	1.9%
Other	42,800	202	43,002	0.1%	56,376	576	56,952	0.1%
Total revenues	1,404,565	33,423,468	34,828,033	100%	1,417,689	39,702,594	41,120,283	100%
Program expenses:								
General government	939,977		939,977	2.7%	936,291		936,291	2.2%
Judicial	59,773		59,773	0.2%	61,806		61,806	0.1%
Public safety - fire	520,339		520,339	1.5%	593,313		593,313	1.4%
Public safety - police	992,305		992,305	2.8%	1,072,537		1,072,537	2.5%
Public safety - animal control	20,666		20,666	0.1%	20,108		20,108	0.0%
Public works - streets	391,605		391,605	1.1%	482,181		482,181	1.1%
Public works - garage	197,443		197,443	0.6%	199,897		199,897	0.5%
Health and welfare	188,384		188,384	0.5%	168,352		168,352	0.4%
Culture and recreation	13,013		13,013	0.0%	16,202		16,202	0.0%
Housing and development	82,184		82,184	0.2%	96,848		96,848	0.2%
Interest	2,111		2,111	0.0%	1,036		1,036	0.0%
Water and sewer		860,548	860,548	2.4%		1,185,401	1,185,401	2.8%
Electric		26,979,170	26,979,170	76.5%		31,888,689	31,888,689	75.3%
Gas		3,593,288	3,593,288	10.2%		5,115,427	5,115,427	12.1%
Sanitation		447,293	447,293	1.3%		522,883	522,883	1.2%
Total expenses	3,407,800	31,880,299	35,288,099	100%	3,648,571	38,712,400	42,360,971	100%
Excess (deficiency)	(2,003,235)	1,543,169	(460,066)		(2,230,882)	990,194	(1,240,688)	
Transfers	(340,578)	340,578	-		4,055,047	(4,055,047)	-	
Change in net assets	(2,343,813)	1,883,747	(460,066)		1,824,165	(3,064,853)	(1,240,688)	
Beginning net assets	7,415,680	3,969,132	11,384,812		5,591,515	7,033,985	12,625,500	
Ending net assets	$ 5,071,867	$ 5,852,879	$ 10,924,746		$ 7,415,680	$ 3,969,132	$ 11,384,812	

GOVERNMENTAL REVENUES

The City has a diversified revenue stream. The City is heavily reliant on property taxes to support governmental operations and capital. Property taxes provided only 24% of the City's total governmental revenues. Local option sales taxes are the second largest revenue source with approximately $189 thousand of revenues or 14% of the total. The insurance premium taxes generate $147,268 and $109,475 from alcohol taxes. Also, note that program revenues cover approximately 16% of governmental operating expenses. This means that the government's taxpayers, the City's other general governmental revenues, and transfers from business-type activities fund 84% of the governmental activities. As a result, the general economy and the City businesses have a major impact on the City's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

The police function spends about 30% of the governmental funds budget; the fire function spends about 16% of the governmental funds budget; and the street's function spends about 12% of the total governmental funds budget.

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

	Total Cost of Services	Net Cost of Services
General government	$ 939,977	$ 708,191
Judicial	59,773	59,773
Public safety - fire	520,339	520,259
Public safety - police	992,305	836,031
Public safety - animal control	20,666	20,666
Public works - streets	391,605	382,325
Public works - garage	197,443	197,443
Health and welfare	188,384	45,049
Cultural and recreation	13,013	13,013
Housing and development	82,184	82,184
Interest	2,111	2,111
Total	$ 3,407,800	$ 2,867,045

After reducing gross expenses by program revenues, the police function totals 30% of the net cost of services and the fire function totals 19% of these costs. Finally, the general government function is 25% of the total.

BUSINESS-TYPE ACTIVITIES
Revenues vs. Costs

The operating revenues for the utility funds were 14% below 2011 and operating expenses were 18% below 2011. Within the total business type activities of the City, these activities reported $1,680,611 in operating income compared to operating income of $101,341 in the prior year, which is an increase of 16.6 times the prior year.

However, after transfers in and out between other funds and non-operating revenues and expenses, these funds reported an increase in net assets of $1,883,747 in 2012 compared to net decrease in net assets of $3,064,853 in 2011. Each specific fund reported the following changes in net assets:

	2012 Amounts	2011 Amounts
Water and sewer fund	$ 96,689	$ 93,524
Electric utility fund	1,440,807	(3,051,481)
Gas utility fund	329,034	(56,384)
Sanitation fund	17,217	(50,512)

Water and sewer has operating income for 2012 of $276,680, which is an increase of $193,147 from 2011. During 2012, the revenues were 10% lower due to a decrease in consumption. Also the 2012 expenses were reduced 28%.

The electric utility fund reported a decrease in revenues of 13% or $4 million. This decrease is due to a decrease in electrical usage. Expenses reported an decrease of 17% or approximately $5.2 million. The decrease in expenses relates to the decrease in electricity purchased. The electricity utility transferred approximately $633 thousand from other funds. Transfers between the utility funds and the general fund are common since all operating cash (i.e., receipts and disbursements) are recorded and included in the general fund. The interfund transfer is a function of activity and is forced to balance based on cash activity in individual funds.

The gas utility fund operating revenue decreased in calendar year 2012 by approximately $1.3 million or 25% and operating expenses decreased approximately $1.5 million or 30%. Operating revenues and expenses decreased due to decreased demand, especially from industrial customers. This fund transferred $93,272 to the other funds as explained above.

The sanitation fund operating revenue increased in calendar year 2012 by $24,578 or 6% and operating expenses decreased $75,326 or 15%. The increase in the fund's revenue is due to an increase in sanitation fees implemented by City Council.

Financial Analysis of the City's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of $1,981,662. Of this year-end total, $876,848 is unreserved indicating availability for continuing City service requirements and $1,064,013 is legally restricted for program purposes.

The total ending fund balances of governmental funds show a decrease of $2,116,878 compared to an increase of $1,844,065 from the prior year amount. This decrease continues to be a result of a decrease in revenues.

Major Governmental Funds

The general fund is the City's primary operating fund and the largest source of day-to-day service delivery. The general fund's fund balance decreased by approximately $2.1 million. In calendar year 2011, the fund balance increased by approximately $1.9 million.

Overall , general fund revenues were less than 1% below the 2011 revenues. Total taxes increased $37,297 from calendar 2011. This increase was due to an increase in the millage rate. General fund licenses and permits decreased $10,929 when compared to calendar 2011. The general fund's fines and forfeitures basically remained the same compared to 2011.

On the expenditure side, the 2012 expenditures decreased $203,799 below the 2011 amount. The fire function had a decrease in expenditures of 13.6% due to delay of capital purchases. The police function had a decrease of 11% in expenditures from the 2011 amount due to a reduction in staff. The street function's expenditures decreased 12.6% when compared to 2011 due to a reduction in insurance and general supplies.

The General Fund's ending fund balance decreased 70%, and represents the equivalent of 29% of annual expenditures.

The Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The analysis is presented above.

Budgetary Highlights

The General Fund –The City realized 98.7% of the final revenue budget. Taxes were below budget because local option sales tax was lower than expected also due to the downturn in the economy. Fines and forfeitures was above budget due to a higher number to citations written.

The City spent 96% of the appropriated budget.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2012, was $3,352,240 and $5,510,183 respectively. The decrease in this net investment was 4% for governmental and a 4% decrease for business-type activities. The overall decrease was approximately 4% for the City as a whole. See Note 8 for additional information about changes in capital assets during the calendar year and on hand at the end of the year. The following table provides a summary of capital asset activity.

Continued on next page.

	Capital Assets					
	Governmental Activities		Business - Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Non-depreciable assets:						
Land	$ 263,306	$ 263,306	$ 23,057	$ 23,057	$ 286,363	$ 286,363
Construction in progress	-	-	-	-	-	-
	263,306	263,306	23,057	23,057	286,363	286,363
Depreciable assets:						
Buildings	2,097,558	2,097,558	-	-	2,097,558	2,097,558
Land and building improvements	111,413	181,311	-	-	111,413	181,311
Machinery and equipment	538,319	589,826	-	-	538,319	589,826
Vehicles	1,050,208	1,077,553	-	-	1,050,208	1,077,553
Furniture and fixtures	83,233	118,523	-	-	83,233	118,523
Infrastructure	2,699,653	3,483,445	-	-	2,699,653	3,483,445
Water system	-	-	7,533,638	7,910,978	7,533,638	7,910,978
Electric system	-	-	5,095,924	5,071,591	5,095,924	5,071,591
Gas system	-	-	990,781	1,050,170	990,781	1,050,170
Sanitation operations	-	-	376,991	392,741	376,991	392,741
Total depreciable assets	6,580,384	7,548,216	13,997,334	14,425,480	20,577,718	21,973,696
Less accumulated depreciation	3,491,450	4,320,932	8,510,208	8,690,995	12,001,658	13,011,927
Book value - depreciable assets	3,088,934	3,227,284	5,487,126	5,734,485	8,576,060	8,961,769
Percentage depreciated	53%	57%	61%	60%	58%	59%
Book value - all assets	$ 3,352,240	$ 3,490,590	$ 5,510,183	$ 5,757,542	$ 8,862,423	$ 9,248,132

At December 31, 2012, the depreciable capital assets for governmental activities were 53% depreciated compared to 57% at December 31, 2011.

With the City's business type activities, 61% of the asset values were depreciated at December 31, 2012, compared to 60% at December 31, 2011.

Long-term Debt

At the end of the calendar year, the City had capital lease obligations outstanding of $76,230 for governmental activities and $88,211 outstanding for business-type activities. The business type activities also owed $122,682 in GEFA notes payable.

During the year, the City retired $88,326 of outstanding capital lease obligations and incurred $111,833 in new capital lease obligations.

	Outstanding Borrowings						
	Governmental Activities		Business-type Activities		Totals		%
	2012	2011	2012	2011	2012	2011	Change
Capital leases	$ 76,230	$ 31,838	$ 88,211	$ 109,096	$ 164,441	$ 140,934	17%
Notes	-	-	122,682	326,707	122,682	326,707	-62%
Total	$ 76,230	$ 31,838	$ 210,893	$ 435,803	$ 287,123	$ 467,641	-39%

See Note 11 for additional information about the City's long-term debt.

Economic Conditions Affecting the City

The City is physically located in the southeastern portion of the State of Georgia. The 2010 US Census reported the City's population as 2,605, which is a slight decrease from year 2000. The population in the City is projected by the Coastal Georgia Regional Development Center to grow by 43 percent in the next ten years. This anticipated growth will challenge City leaders to not only maintain the quality of life Sylvania citizens expect, but will bring confronting issues.

The City is the county seat for Screven County, Georgia. The County's median household income is $32,155 according to the 2010 US Census. In December 2011, Screven County's unemployment rate was 11.9%. In Georgia, the unemployment rate for the same period was 9.4%.

Since the City relies primarily on property and sales taxes for its operating revenue, changes in the economy definitely affect these revenue streams. Since sales taxes are an "elastic revenue stream" in a sluggish economy, the sales tax revenues are reduced immediately. Property taxes are considered "inelastic" in the short-term; this revenue stream is more stable. Fortunately, the City, because of its revenue stream make-up, has been able to survive financially in a slow economy.

The City's electric utility fund sells an estimated 80% of its power to industrial customers, with 79% of total sales from one customer. Since the gross profit from these industrial customers has decreased in 2012 it has caused the City to reevaluate programs and services. The 2013 budget has been significantly reduced to address the significant decrease in revenues.

The County per capita personal income in 2010 was $16,189, which is 64% of the State of Georgia's per capita personal income. Per capita income is total personal income (including wages, dividends, interest, rent, and government payments) divided by the total population. It is commonly used as an indicator of the quality of consumer markets and the economic well being of a community.

From an economic development perspective, the City continues success through our Downtown Development Authority (DDA). The DDA has been recognized by the National Trust for Historic Places for the past six years for having met all the standards for certification. The City is constantly trying to secure funding to replace the City's aging infrastructure. In 2009, the City was awarded a Community Development Block Grant for water line installation and improvements. Construction on this project began in 2010. Manufacturing plays an important role in the fabric of the City, however, this industry is declining and in December, 2009 Sylvania Yarn Systems closed its operations. This closure was a substantial hit to the community, but the City is diligently working with the Screven County Development Authority and the Screven County Chamber of Commerce to attract new industry and sustain existing industry. Other industries are leading job growth in the City including professional, scientific, management and administration jobs. The completion of the Savannah River Parkway is expected to bring new opportunities.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City Manager at:

City of Sylvania
104 South Main Street
Sylvania, GA 30467

City of Sylvania, Georgia
Statement of Net Assets
December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	$ 983,637	$ 155,094	$ 1,138,731	$ 49,461
Investments		1,911,057	1,911,057	
Receivables				
Accounts	71,906	4,041,585	4,113,491	
Property taxes	97,487		97,487	
Intergovernmental	30,933		30,933	
Other	5,724		5,724	
Interest	1,366		1,366	
Notes	84,239		84,239	
Prepaid items	40,801	32,868	73,669	
Restricted assets				
Cash	949,653		949,653	
Investments		723	723	
Capital assets (Note 8)				
Nondepreciable capital assets	263,306	23,057	286,363	
Depreciable capital assets, net	3,088,934	5,487,126	8,576,060	
Total assets	5,617,986	11,651,510	17,269,496	49,461
Liabilities				
Current liabilities				
Accounts payable	48,610	5,043,696	5,092,306	
Sales tax payable		10,190	10,190	
Accrued payroll	121,664	26,609	148,273	
Accrued interest payable	336	365	701	
Deferred revenue	31,305		31,305	
Compensated absences payable	56,255	47,326	103,581	
Customer deposits payable		243,588	243,588	
Capital leases payable	27,885	48,077	75,962	
Notes payable		22,480	22,480	
Long-term liabilities (Note 11)				
Compensated absences payable (net of current portion)	73,717	87,126	160,843	
Post-employment benefits payable (net of current portion)	138,002	128,838	266,840	
Capital leases payable (net of current portion)	48,345	40,134	88,479	
Notes payable (net of current portion)		100,202	100,202	
Total liabilities	546,119	5,798,631	6,344,750	0
Net Assets				
Invested in capital assets, net of related debt (Note 14)	3,276,010	5,299,290	8,575,300	
Restricted for MEAG power generation		723	723	
Restricted for program purposes	1,064,013		1,064,013	49,461
Unrestricted	731,844	552,866	1,284,710	
Total net assets	$ 5,071,867	$ 5,852,879	$ 10,924,746	$ 49,461

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

City of Sylvania, Georgia
Statement of Activities
For the Year Ended December 31, 2012

Function/Program	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants, Contributions and Interest	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Primary government								
Governmental activities								
General government	$ 939,977	$ 66,003		$ 165,783	$ (708,191)		$ (708,191)	
Judicial	59,773				(59,773)		(59,773)	
Public safety								
Fire	520,339			80	(520,259)		(520,259)	
Police	992,305	156,274			(836,031)		(836,031)	
Animal control	20,666				(20,666)		(20,666)	
Public works								
Streets	391,605	9,280			(382,325)		(382,325)	
Garage	197,443				(197,443)		(197,443)	
Health and welfare	188,384	73,167	$ 70,168		(45,049)		(45,049)	
Culture and recreation	13,013				(13,013)		(13,013)	
Housing and development	82,184				(82,184)		(82,184)	
Interest	2,111				(2,111)		(2,111)	
Total governmental activities	3,407,800	304,724	70,168	165,863	(2,867,045)	$ 0	(2,867,045)	
Business-type activities								
Water and sewer	860,548	1,127,896		5,069		272,417	272,417	
Electric utility	26,979,170	27,614,128		172,079		807,037	807,037	
Gas utility	3,593,288	4,015,594				422,306	422,306	
Sanitation	447,293	488,500				41,207	41,207	
Total business-type activities	31,880,299	33,246,118	0	177,148	0	1,542,967	1,542,967	
Total primary government	$ 35,288,099	$ 33,550,842	$ 70,168	$ 343,011	(2,867,045)	1,542,967	(1,324,078)	
Component Unit								
Downtown Development Authority of Sylvania	$ 58,120	$ 15,913	$ 40,091	$ 0				$ (2,116)
		General Revenues						
		Property taxes levied for general government purposes			330,729		330,729	
		Local option sales and use taxes			189,607		189,607	
		Insurance premium taxes			147,268		147,268	
		Alcohol taxes			109,475		109,475	
		Hotel-motel taxes			12,442		12,442	
		Franchise taxes			31,489		31,489	
		Investment earnings			10,540	202	10,742	
		Gain on disposal of assets			7,005		7,005	
		Miscellaneous			25,255		25,255	
		Total general revenues			863,810	202	864,012	0
		Transfers			(340,578)	340,578	0	
		Total general revenues and transfers			523,232	340,780	864,012	0
		Change in net assets			(2,343,813)	1,883,747	(460,066)	(2,116)
		Net assets beginning of year			7,415,680	3,969,132	11,384,812	51,577
		Net assets end of year			$ 5,071,867	$ 5,852,879	$ 10,924,746	$ 49,461

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

City of Sylvania, Georgia
Balance Sheet
Governmental Funds
December 31, 2012

	General	UDAG	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 983,637			$ 983,637
Restricted cash and cash equivalents		$ 848,358	$ 101,295	949,653
Receivables:				
Accounts	71,906			71,906
Property taxes	97,487			97,487
Intergovernmental			30,933	30,933
Other	5,724			5,724
Notes		84,239		84,239
Interest	1,366			1,366
Interfund	812			812
Prepaid items	40,801			40,801
Total assets	$ 1,201,733	$ 932,597	$ 132,228	$ 2,266,558
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 48,610			$ 48,610
Accrued expenditures	121,664			121,664
Interfund balances			$ 812	812
Deferred revenue	113,810			113,810
Total liabilities	284,084	$ 0	812	284,896
Fund balances				
Nonspendable - prepaid items	40,801			40,801
Restricted for:				
Capital projects			129,323	129,323
Public safety			2,093	2,093
Housing and development		932,597		932,597
Unassigned	876,848			876,848
Total fund balances	917,649	932,597	131,416	1,981,662
Total liabilities and fund balances	$ 1,201,733	$ 932,597	$ 132,228	$ 2,266,558

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

City of Sylvania, Georgia
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2012

Total governmental fund balances		$ 1,981,662
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.		
Cost of capital assets	$ 6,843,689	
Less accumulated depreciation	(3,491,449)	3,352,240
Property taxes are deferred in the governmental funds because they are not available but they are reported as revenue on the statement of activities.		82,505
Liabilities, including notes payable, compensated absences and post-employment benefits are not due and payable in the current period and therefore are not reported in the fund financial reporting level, however, these liabilities are reported at the government-wide reporting level:		
Capital lease liability	(76,230)	
Accrued interest payable	(336)	
Compensated absences payable	(129,972)	
Post-employment benefits payable	(138,002)	(344,540)
Net assets of governmental activities		$ 5,071,867

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

City of Sylvania, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	UDAG	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 793,160		$ 12,443	$ 805,603
Intergovernmental	70,168		165,783	235,951
Licenses and permits	56,115			56,115
Charges for services	96,892			96,892
Fines and forfeitures	150,274		1,443	151,717
Investment earnings	5,074	$ 5,466	80	10,620
Miscellaneous	25,255			25,255
Total revenues	1,196,938	5,466	179,749	1,382,153
Expenditures				
Current:				
General government				
Legislative	25,155			25,155
Executive - Mayor	8,487			8,487
Executive - Manager	382,165			382,165
Financial administration	478,869			478,869
Purchase/contract services	23,755			23,755
Judicial	59,773			59,773
Public safety:				
Police	938,571			938,571
Fire	485,250			485,250
Animal control	19,507			19,507
Public works:				
Streets	342,223			342,223
Garage	175,493			175,493
Health and welfare	174,780			174,780
Culture and recreation	13,013			13,013
Housing and development				
Building and zoning	3,122			3,122
Economic development and assistance	65,276		12,443	77,719
Debt service:				
Principal retirement	30,279			30,279
Interest and fiscal charges	1,968			1,968
Total expenditures	3,227,686	0	12,443	3,240,129
Excess (deficit) of revenues to expenditures	(2,030,748)	5,466	167,306	(1,857,976)
Other financing sources (uses)				
Inception of capital lease	74,671			74,671
Proceeds from sale of asset	7,005			7,005
Transfers in (out)	(149,394)		(191,184)	(340,578)
Total other financing sources (uses)	(67,718)	0	(191,184)	(258,902)
Net change in fund balances	(2,098,466)	5,466	(23,878)	(2,116,878)
Fund balances beginning of year	3,016,115	927,131	155,294	4,098,540
Fund balances end of year	$ 917,649	$ 932,597	$ 131,416	$ 1,981,662

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

City of Sylvania, Georgia
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2012

Net changes in fund balances - total governmental funds		$ (2,116,878)
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Depreciation expense	$ (213,422)	
Capital outlay	75,072	(138,350)
Property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred at 12/31/12	82,505	
Deferred at 12/31/11	(67,098)	15,407
Interest expense 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.		
Liability at 12/31/12	(336)	
Liability at 12/31/11	193	(143)
The issuance of long-term debt (e.g., notes payable, capital leases) provides current financial resources to the governmental funds, but the receipt of proceeds from long-term debt increases long-term liabilities in the statement of net assets.		(74,671)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		30,279
Compensated absences 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		
Liability at 12/31/12	(129,972)	
Liability at 12/31/11	120,985	(8,987)
Post-employment benefits 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		
Liability at 12/31/12	(138,002)	
Liability at 12/31/11	87,532	(50,470)
Change in net assets of governmental activities		$ (2,343,813)

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

City of Sylvania, Georgia
Statement of Net Assets
Proprietary Funds
December 31, 2012

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electricity Utility	Gas Utility	Sanitation	Total
Assets					
Current assets					
Cash and cash equivalents	$ 49,005	$ 106,089			$ 155,094
Investments		1,911,057			1,911,057
Accounts receivable	83,146	3,461,368	$ 455,603	$ 41,468	4,041,585
Prepaid insurance	11,388	8,405	2,538	10,537	32,868
Total current assets	143,539	5,486,919	458,141	52,005	6,140,604
Noncurrent assets					
Restricted assets					
Investments - MEAG Competitive Trust		723			723
Capital assets					
Nondepreciable capital assets	16,550			6,507	23,057
Depreciable capital assets, net	2,973,783	2,119,576	336,599	57,168	5,487,126
Total noncurrent assets	2,990,333	2,120,299	336,599	63,675	5,510,906
Total assets	3,133,872	7,607,218	794,740	115,680	11,651,510
Liabilities					
Current liabilities					
Accounts payable	16,603	4,816,929	207,625	2,539	5,043,696
Sales tax payable		10,190			10,190
Accrued interest payable	365				365
Other accrued liabilities	7,621	8,795	3,036	7,157	26,609
Compensated absences payable	10,086	22,976	6,059	8,205	47,326
Customer deposits payable		243,588			243,588
Capital lease payable		20,672		27,405	48,077
Notes payable	22,480				22,480
Total current liabilities	57,155	5,123,150	216,720	45,306	5,442,331
Long-term liabilities:					
Compensated absences payable (net of current portion)	7,666	47,392	4,039	28,029	87,126
Post-employment benefit payable	18,043	42,807	41,106	26,882	128,838
Capital lease payable (net of current portion)		15,026		25,108	40,134
Notes payable (net of current portion)	100,202				100,202
Total long-term liabilities	125,911	105,225	45,145	80,019	356,300
Total liabilities	183,066	5,228,375	261,865	125,325	5,798,631
Net Assets					
Invested in capital assets, net of related debt	2,867,651	2,083,878	336,599	11,162	5,299,290
Restricted - MEAG power generation		723			723
Unrestricted	83,155	294,242	196,276	(20,807)	552,866
Total net assets	$ 2,950,806	$ 2,378,843	$ 532,875	$ (9,645)	$ 5,852,879

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

City of Sylvania, Georgia
Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electricity Utility	Gas Utility	Sanitation	Total
Operating revenues					
Charges for services	$ 1,116,378	$ 27,611,038	$ 4,015,546	$ 488,500	$ 33,231,462
Miscellaneous	11,518	3,090	48		14,656
Total operating revenues	1,127,896	27,614,128	4,015,594	488,500	33,246,118
Operating expenses					
Cost of sales		25,701,362	3,367,895		29,069,257
Salaries	300,215	357,669	108,780	227,839	994,503
Social security	21,981	23,521	7,934	16,289	69,725
Group insurance	27,314	121,276	10,434	78,377	237,401
Retirement and other post-employment benefits	25,229	24,966	5,684	17,175	73,054
Workers' compensation	19,992	12,895	3,293	7,184	43,364
Legal fees		28,509			28,509
Contract services	19,594				19,594
Chemicals	13,115				13,115
Materials and supplies	11,800	35,188	7,787		54,775
Gas, oil, and tires	16,493	14,707	4,131	34,360	69,691
Uniforms and safety equipment	5,733	3,183	1,702	2,308	12,926
Vehicle repairs	5,490	5,428	933	3,546	15,397
Engineering and consulting	11,860	60,775			72,635
Meter reading	28,917	28,917	28,917		86,751
Postage	3,500	3,062	3,039		9,601
Communications	3,506	1,409	2,516		7,431
Insurance	25,749	12,695	3,283	9,558	51,285
Public utilities	76,413	7,165	717		84,295
Maintenance and testing	57,675	79,159	15,004	6,131	157,969
Tipping fees	24,140			13,186	37,326
Bad debts	4,370	28,794	2,180	2,151	37,495
Other	5,093	1,378	5,800	616	12,887
Depreciation	143,037	124,434	13,259	25,791	306,521
Total operating expenses	851,216	26,676,492	3,593,288	444,511	31,565,507
Operating income	276,680	937,636	422,306	43,989	1,680,611
Non-operating revenues (expenses)					
Interest and fiscal charges	(9,332)	(302,678)		(2,782)	(314,792)
Gain on sale of surplus assets	4,144	925			5,069
Investment earnings	196	6			202
MEAG Generation Trust additions		168,979			168,979
MEAG Generation Trust investment earnings		3,100			3,100
Total non-operating revenues (expenses)	(4,992)	(129,668)	0	(2,782)	(137,442)
Income before transfers	271,688	807,968	422,306	41,207	1,543,169
Transfers in (out)	(174,999)	632,839	(93,272)	(23,990)	340,578
Change in net assets	96,689	1,440,807	329,034	17,217	1,883,747
Net assets beginning of year	2,854,117	938,036	203,841	(26,862)	3,969,132
Net assets end of year	$ 2,950,806	$ 2,378,843	$ 532,875	$ (9,645)	$ 5,852,879

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

City of Sylvania, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electricity Utility	Gas Utility	Sanitation	Total
Cash flows from operating activities					
Cash received from customers	$ 1,137,434	$ 26,726,436	$ 3,840,736	$ 489,466	$ 32,194,072
Cash payments to employees for personal services	(419,642)	(513,549)	(140,762)	(351,380)	(1,425,333)
Cash payments for goods and services	(332,498)	(26,681,065)	(3,606,702)	(85,176)	(30,705,441)
Net cash provided by operating activities	385,294	(468,178)	93,272	52,910	63,298
Cash flows from noncapital financing activities					
Transfers in (out)	(366,183)	632,839	(93,272)	(23,990)	149,394
Cash flows from capital and related financing activities					
Transfers from SPLOST	191,184				191,184
Proceeds from debt		26,384		10,778	37,162
Principal paid on debt	(204,025)	(31,909)		(26,138)	(262,072)
Interest paid on debt	(10,414)	(302,678)		(2,782)	(315,874)
Payments for capital acquisitions		(48,384)		(10,778)	(59,162)
Proceeds from sale of capital assets	4,144	925			5,069
Net cash used for capital and related financing activities	(19,111)	(355,662)	0	(28,920)	(403,693)
Cash flows from investing activities					
Investment earnings	196	6			202
Purchases of investments		(791,903)			(791,903)
Proceeds from sales of investments		980,000			980,000
Net cash provided by investing activities	196	188,103	0	0	188,299
Net increase (decrease) in cash and cash equivalents	196	(2,898)	0	0	(2,702)
Cash and cash equivalents beginning of year	48,809	108,987			157,796
Cash and cash equivalents end of year	$ 49,005	$ 106,089	$ 0	$ 0	$ 155,094

(continued)

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

City of Sylvania, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

(continued)

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electricity Utility	Gas Utility	Sanitation	Total
Reconciliation of operating income to net cash provided by operating activities					
Operating income	$ 276,680	$ 937,636	$ 422,306	$ 43,989	$ 1,680,611
Adjustments:					
Depreciation	143,037	124,434	13,259	25,791	306,521
(Increase) decrease in assets:					
Accounts receivable	9,538	(893,121)	(174,858)	966	(1,057,475)
Prepaid insurance	(5,004)	(4,587)	(1,668)	(5,422)	(16,681)
Increase (decrease) in liabilities:					
Accounts payable	(33,640)	(654,311)	(161,130)	(7,898)	(856,979)
Sales tax payable		(10,436)			(10,436)
Accrued liabilities	(2,480)	(312)	156	(650)	(3,286)
Compensated absences payable	2,116	32,990	460	4,207	39,773
Post-retirement benefit payable	(4,953)	(5,900)	(5,253)	(8,073)	(24,179)
Customer deposits		5,429			5,429
Net cash provided by (used for) operating activities	$ 385,294	$ (468,178)	$ 93,272	$ 52,910	$ 63,298

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

Note 1 - Reporting Entity

The City of Sylvania, Georgia (the City) was incorporated under the provisions of Georgia law March 1, 1963. The City operates under a Council-City Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets and lanes, water and sewer, sanitation, various administrative services, and electric and gas utilities.

The reporting entity is comprised of the primary government, component units and 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 may also include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

The component unit columns included on the government-wide financial statements identify the financial data of the City's discretely presented component units. They are reported separately to emphasize that they are legally separate from the City.

A brief description of the discretely presented component unit follows:

Downtown Development Authority of Sylvania (the Authority) - The Authority is a public corporation created in 1983. The primary purposes of the Authority are to promote revitalization and redevelopment of the central business district of the City and to develop trade, commerce, industry and employment opportunities. The City Council appoints all seven board members and assists with the Authority's funding. Separate financial statements are not issued at this time.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

The most significant of the City's accounting policies are described below.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Note 2 - Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. The primary government and the component unit are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and City's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of net assets presents the financial position of the governmental and business-type activities of the City and it's discretely presented component unit at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and are therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function generates the revenue. For *grants and contributions,* the determining factor is to which function the revenues are restricted.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns of the fund statements.

Fund Accounting - The City uses funds to maintain financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The city uses two categories of funds: governmental and proprietary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

Note 2 - Summary of Significant Accounting Policies (continued)

The General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.

The UDAG Fund - The UDAG (Urban Development Action Grant) fund accounts for grant proceeds received in the 1990's that is to be used as a revolving loan fund for development in and around the City of Sylvania.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The proprietary funds are classified as enterprise funds. The City's enterprise funds, all of which are major funds, are as follows:

Water and Sewer Fund - This fund is used to account for the construction of facilities and operation of activities involved in providing water and sewer services.

Electricity Utility Fund - This fund is used to account for the construction of facilities and operation of activities involved in providing electric services.

Gas Utility Fund - This fund is used to account for the construction of facilities and operation of activities involved in providing natural gas services.

Solid Waste Collection Fund - This fund is used to account for the construction of facilities and operation of activities involved in providing sanitation (solid waste collection) services.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities reports revenues and expenses.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports the sources (i.e., revenues and other financing resources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net assets. The statements of changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within 60 days of year-end.

Revenues - Non-exchange Transactions - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 7). Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Deferred/Unearned Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue.

Deferred revenue is reclassified as unearned revenue on the government-wide statement of net assets.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Note 2 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Fund Equity

Cash, Cash Equivalents and Investments

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

Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in the following type of obligations:

Obligations of the State of Georgia or of any other states
Obligations of the United States Government
Obligations fully insured or guaranteed by the United States Government or Government agency
Obligations of any corporation of the United States Government
Prime bankers' acceptances
The State of Georgia local government investment pool (i.e., Georgia Fund I)
Repurchase agreements
Obligations of the other political subdivisions of the State of Georgia

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water and sewer charges, gas and electric charges and charges for sanitation services are accrued as receivables and revenue at December 31, 2012. The City reports utility receivables at the gross amount (i.e., no allowance for uncollectible receivables is established) since the City holds customer deposits to protect them against default.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

Restricted Assets

Confiscated cash in the confiscated assets fund and customer deposits in the enterprise funds are reported as restricted assets.

Note 2 - Summary of Significant Accounting Policies (continued)

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise funds' statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of roads, bridges, water lines and sewer lines. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. The City has capitalized all infrastructure, including infrastructure acquired prior to the implementation of GASB Statement No. 34. The City's infrastructure includes assets acquired prior to June 30, 1980. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	Estimated Useful Lives	
Asset Class	Governmental Activities	Business-type Activities
Buildings	25-50 Years	40 Years
Land and building improvements	10-25 years	
Machinery and equipment	5-10 years	3-10 Years
Furniture and fixtures	5 years	
Vehicles	5-8 years	3-4 Years
Infrastructure	25-40 years	
Building and pump stations	---	40 Years
Sewer collection system	---	50 Years
Water tank and wells	---	10-50 Years
Water mains and hydrants	---	30-50 Years
Meters and regulators	---	20 Years
Lines, transformers and poles	---	10-50 Years
Gas mains	---	50 Years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

Note 2 - Summary of Significant Accounting Policies (continued)

Compensated Absences
Vacation and sick benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick benefits are payable only at retirement on a limited basis.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. The proprietary fund reports total compensated absence liability at the fund level, if applicable. Governmental funds report compensated absence liability at the fund reporting level only "when due."

Accrued Liabilities and Long-term Obligations
All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

Bond Premiums, Discounts and Issuance Costs
On the government-wide statement of net assets and the proprietary fund type statement of net assets, bond premiums and discounts are netted against bonds payable and bond issuance costs are reported as deferred charges. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts and bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as an expenditure.

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

Fund Balance – Beginning with the year ended December 31, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

Note 2 - Summary of Significant Accounting Policies (continued)

Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. the City Council). To be reported as committed, amounts cannot be used for any other purposes unless the city takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City Council delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the City's governmental funds have been restated to reflect the above classifications.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service, or other purposes). Additionally, assigned fund balance may reflect management's intended use of resources to be set forth in current or future annual budgets and any amendments thereto.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net asset amount also is adjusted by any bond issuance deferral amounts. Net assets 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. All other net assets are reported as unrestricted.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer, electricity, gas and solid waste programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of each fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Contribution of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Note 2 - Summary of Significant Accounting Policies (continued)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

Estimates

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

Note 3 - Stewardship, Compliance and Accountability

Comparative Data

Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

Budgetary Information

The City adopts an annual operating budget for the general fund and each special revenue fund. The budget resolution reflects the total of each department's appropriation in each fund.

The general and special revenue fund's budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council.

The City Manager may approve budget transfers within departments. All unexpended annual appropriations lapse at year-end.

Excess of Expenditures over Appropriations

The General Government City Manager and Purchase/contractual Services departments in the general fund had expenditures in excess of appropriations.

Accumulated Fund Deficit

The City has an accumulated fund deficit in the sanitation fund totaling $5,054. This fund deficit resulted from the accrual of unfunded post employment benefits.

Note 5 - Deposits and Investments

Custodial Credit Risk – Deposits – Custodial credit risk 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 December 31, 2012, the City was not exposed to custodial credit risk.

Investments - Municipal Competitive Trust - At year end, proprietary fund investments were $1,981,038 which are held by Wells Fargo in the Municipal Competitive Trust. The Municipal Competitive Trust consists of pooled funds from the members of MEAG and is invested in United States Government securities held in the name of the Municipal Competitive Trust and allocated to members based on shares of ownership in the trust. Investments are stated at fair values based on quoted market prices. The investments would be classified as uninsured and uncollateralized because the securities are held by Wells Fargo in the name of the Municipal Competitive Trust.

Note 6 - Receivables

Receivables at December 31, 2012, consisted of taxes, interest, accounts (billings for user charges, including unbilled utility receivables), and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

Note 7 - Property Taxes

Property taxes are assessed based upon property values determined by the Screven County Assessor's Office at January 1, 2011. The levy date was August 7, 2012; the tax bills were mailed October 15, 2012; and were due December 20, 2012. The lien date is December 20, 2012.

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Note 8 - Capital Assets

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

	Balance 1/1/2012	Additions	Deductions	Balance 12/31/2012
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 263,306			$ 263,306
Total capital assets not being depreciated	263,306	$ 0	$ 0	263,306
Depreciable capital assets				
Buildings	2,097,558			2,097,558
Land and building improvements	181,311		69,898	111,413
Machinery and equipment	589,826	75,072	126,579	538,319
Vehicles	1,077,553		27,345	1,050,208
Furniture and fixtures	118,523		35,290	83,233
Infrastructure	3,483,445		783,792	2,699,653
Total depreciable capital assets	7,548,216	75,072	1,042,904	6,580,384
Total capital assets	7,811,522	75,072	1,042,904	6,843,690
Accumulated depreciation:				
Buildings	915,752	45,709		961,461
Land and building improvements	172,256	4,294	69,898	106,652
Machinery and equipment	358,757	28,400	126,579	260,578
Vehicles	768,627	70,400	27,345	811,682
Furniture and fixtures	116,434	1,139	35,290	82,283
Infrastructure	1,989,106	63,480	783,792	1,268,794
Total accumulated depreciation	4,320,932	213,422	1,042,904	3,491,450
Governmental activities capital assets, net	$ 3,490,590	$ (138,350)	$ 0	$ 3,352,240

Governmental activities depreciation expense	
General government	$ 37,314
Public safety - fire	59,297
Public safety - police	32,565
Public safety - animal control	3,689
Public works - streets	68,012
Public works - garage	8,258
Health and welfare	2,944
Housing and development	1,343
Total governmental activities depreciation expense	$ 213,422

Note 8 - Capital Assets (continued)

Capital asset activity for business-type activities for the year ended December 31, 2012, was as follows:

	Balance 01/1/2012	Additions	Deductions	Balance 12/31/2012
Business-type activities:				
Water and sewer fund:				
Capital assets not being depreciated:				
Land and rights	$ 16,550			$ 16,550
Total capital assets not being depreciated	16,550	$ 0	$ 0	16,550
Depreciable capital assets:				
Building and pump stations	1,958,630			1,958,630
Sewer collection system	2,488,293		111,442	2,376,851
Water tank and wells	950,191		81,013	869,178
Water mains and hydrants	1,410,441		117,854	1,292,587
Meters	142,904		59,820	83,084
Vehicles	338,208		7,211	330,997
Other	622,311			622,311
Total depreciable capital assets	7,910,978	0	377,340	7,533,638
Total capital assets	7,927,528	0	377,340	7,550,188
Accumulated depreciation:				
Building and pump stations	1,475,149	37,845		1,512,994
Sewer collection system	954,638	47,612	111,442	890,808
Water tank and wells	595,231	13,520	81,013	527,738
Water mains and hydrants	773,769	28,510	117,854	684,425
Meters	133,575	1,756	59,820	75,511
Vehicles	327,778	4,180	7,211	324,747
Other	534,018	9,614		543,632
Total accumulated depreciation	4,794,158	143,037	377,340	4,559,855
Water and sewer capital assets, net	$ 3,133,370	$ (143,037)	$ 0	$ 2,990,333

Note 8 - Capital Assets (continued)

	Balance 01/1/2012	Additions	Deductions	Balance 12/31/2012
Business-type activities:				
Electric utility fund:				
Depreciable capital assets:				
Buildings	$ 474,045			$ 474,045
Meters	79,059			79,059
Lines, transformers and poles	3,581,967	$ 22,000		3,603,967
Vehicles	624,942		$ 24,051	600,891
Machinery and equipment	311,578	26,384		337,962
Total capital assets	5,071,591	48,384	24,051	5,095,924
Accumulated depreciation:				
Buildings	108,756	14,833		123,589
Meters	74,995	1,546		76,541
Lines, transformers and poles	1,918,515	60,003		1,978,518
Vehicles	527,519	32,314	24,051	535,782
Machinery and equipment	246,180	15,738		261,918
Total accumulated depreciation	2,875,965	124,434	24,051	2,976,348
Electric utility capital assets, net	$ 2,195,626	$ (76,050)	$ 0	$ 2,119,576
Gas utility fund:				
Depreciable capital assets:				
Buildings	$ 2,509			$ 2,509
Gas mains	721,480		$ 8,414	713,066
Meters and regulators	159,575		50,975	108,600
Vehicles	118,067			118,067
Machinery and equipment	48,539			48,539
Total capital assets	1,050,170	$ 0	59,389	990,781
Accumulated depreciation:				
Buildings	1,531	63		1,594
Gas mains	432,091	10,048	8,414	433,725
Meters and regulators	100,084	3,148	50,975	52,257
Vehicles	118,067			118,067
Machinery and equipment	48,539			48,539
Total accumulated depreciation	700,312	13,259	59,389	654,182
Gas utility fund capital assets, net	$ 349,858	$ (13,259)	$ 0	$ 336,599

Note 8 - Capital Assets (continued)

	Balance 01/1/2012	Additions	Deductions	Balance 12/31/12
Business-type activities:				
Sanitation fund				
Capital assets not being depreciated:				
Land and rights	$ 6,507			$ 6,507
Depreciable capital assets:				
Buildings	11,449			11,449
Vehicles	314,354		$ 26,528	287,826
Machinery and equipment	66,938	$ 10,778		77,716
Total depreciable capital assets	392,741	10,778	26,528	376,991
Total capital assets	399,248	10,778	26,528	383,498
Accumulated depreciation:				
Buildings	6,681	382		7,063
Vehicles	246,941	23,792	26,528	244,205
Machinery and equipment	66,938	1,617		68,555
Total accumulated depreciation	320,560	25,791	26,528	319,823
Sanitation fund capital assets, net	$ 78,688	$ (15,013)	$ 0	$ 63,675

Note 9 - Interfund Balances and Transfers

Interfund balances represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made.

General fund receivable from the confiscated assets fund for amounts deposited in the confiscated assets account which should have been deposited in the general fund $788.
General fund receivable from SPLOST capital projects fund for various expenses paid by general fund $24.

Interfund transfers for the year ended December 31, 2012, consisted of the following:
The water/sewer fund transferred $366,183 to the general fund to supplement its finances.
The natural gas fund transferred $93,272 to the general fund to supplement its finances.
The sanitation fund transferred $23,990 to the general fund to supplement its finances
The general fund transferred $632,839 to the electric fund to supplement its finances.
The SPLOST capital projects fund (non-major) transferred $191,184 to the water/sewer fund for payment of debt.

Note 10 - Short-Term Debt

During the current year, the City has issued tax anticipation notes. The purpose of these notes was to provide temporary financing needed to cover shortfalls in anticipated tax revenues of the City for current expenses of the general fund. All balances were repaid at December 31, 2012.

Changes in Short-term Debt - Changes in the City's short-term obligations consisted of the following for the year ended December 31, 2012.

Governmental Activities	Outstanding 01/01/12	Additions	Reductions	Outstanding 12/31/12
Notes payable				
Farmers and Merchants Bank	$ 0	1,720,000	$ 1,720,000	$ 0

Note 11 - Long-Term Liabilities

Governmental Capital Lease

The City has entered into capital leases for vehicles. These leases meet the criteria of a capital lease since they transfer benefits and risks of ownership to the lessee at the end of the lease term. Capital lease payments are reflected as debt service expenditures at the governmental fund reporting level.

Capital lease payable to Georgia Municipal Association in quarterly payments of $2,431. The vehicle acquired by the lease is included in governmental activities general capital assets in the amount of $14,514 (cost of $25,612 less accumulated depreciation of $11,098).The outstanding balance of the corresponding liability is included in governmental activities general current debt. This lease terminated in 2012.

Capital lease payable to Georgia Municipal Association in quarterly payments of $2,583. The vehicle acquired by the lease is included in governmental activities general capital assets in the amount of $21,374 (cost of $30,534 less accumulated depreciation of $9,160).The outstanding balance of the corresponding liability is included in governmental activities general current debt. Annual debt service requirements to amortize this capital lease as of December 31, 2012, follow:

Year	Principal	Interest	Total
2013	$ 9,951	$ 382	$ 10,333
2014	5,102	64	5,166
Total	$ 15,053	$ 446	$ 15,499

Note 11 - Long-Term Liabilities (continued)

Capital lease payable to Georgia Municipal Association in quarterly payments of $4,874. This lease was used to acquire communication equipment for the City. This portion of the lease is allcoated to the governmental activities general capital assets in the amount of $63,810 (cost of $75,072 less accumulated depreciation of $11,262).The outstanding balance of the corresponding liability is included in governmental activities general current debt. Annual debt service requirements to amortize this capital lease as of December 31, 2012, follow:

Year	Principal	Interest	Total
2013	$ 17,934	$ 1,564	$ 19,498
2014	18,451	1,047	19,498
2015	18,982	516	19,498
2016	5,810	44	5,854
Total	$ 61,177	$ 3,171	$ 64,348

Business-Type Activities

Capital lease payable to Georgia Municipal Association in quarterly payments of $7,114. The vehicle acquired by the lease is included in the utility fund capital assets in the amount of $47,730 (cost of $129,329 less accumulated depreciation of $81,599). The outstanding balance of the corresponding liability is included in business activities long-term debt. Annual debt service requirements to amortize this capital lease as of December 31, 2012, follow:

Year	Principal	Interest	Total
2103	$ 14,015	$ 226	$ 14,241

Capital lease payable to Georgia Municipal Association in quarterly payments of $6,518 The vehicle acquired by the lease is included in the utility fund capital assets in the amount of $43,621 (cost of $118,962 less accumulated depreciation of $75,341). The outstanding balance of the corresponding liability is included in business activities long-term debt. Annual debt service requirements to amortize this capital lease as of December 31, 2012, follow:

Year	Principal	Interest	Total
2013	$ 24,786	$ 1,286	$ 26,072
2014	19,198	357	19,555
Total	$ 43,984	$ 1,643	$ 45,627

Note 11 - Long-Term Liabilities (continued)

Capital lease payable to Georgia Municipal Association in quarterly payments of $2,511. This lease was used to acquire communication equipment for the City. This portion of the lease is allcoated to the utility fund capital assets in the amount of $31,587 (cost of $37,162 less accumulated depreciation of $5,575).The outstanding balance of the corresponding liability is included in governmental activities general current debt. Annual debt service requirements to amortize this capital lease as of December 31, 2012, follow:

Year	Principal	Interest	Total
2013	$ 9,276	$ 768	$ 10,044
2014	9,544	500	10,044
2015	9,819	225	10,044
2016	1,573	173	1,746
Total	$ 30,212	$ 1,666	$ 31,878

GEFA 2007 Loan – Contract 2006-L57WQ - Payments are due in equal monthly installments of $4,046 including interest at 4.12%, beginning October 1, 2008 and ending September 1, 2018. The City made additional principal payments, which results in the projected payoff of the loan to occur in 2016. The purpose of the loan was to expand the sewer system. The original amount of this loan was $397,348. Annual debt service requirements to amortize the loan outstanding, as of December 31, 2012, follow:

Year	Principal	Interest	Total
2013	$ 3,750	$ 13	$ 3,763

GEFA 2008 Loan – Contract 2007-L45WJ - Payments are due in equal monthly installments of $1,938 including interest at 4.10%, beginning October 1, 2008 and ending September 1, 2018. The purpose of the loan was to expand the sewer system. The original amount of this loan was $190,509. Annual debt service requirements to amortize the loan outstanding, as of December 31, 2012, follow:

Year	Principal	Interest	Total
2013	$ 18,730	$ 4,525	$ 23,255
2014	19,511	3,744	23,255
2015	20,326	2,928	23,254
2016	21,174	2,081	23,255
2017	22,060	1,194	23,254
2018	17,131	287	17,418
Total	$ 118,932	$ 14,759	$ 133,691

Note 11 - Long-Term Liabilities (continued)

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2012:

Governmental Activities	Outstanding 1/1/2012	Additions	Reductions	Outstanding 12/31/2012	Amounts Due in One Year
Capital lease	$ 7,161		$ 7,161	$ 0	$
Capital lease	24,677		9,624	15,053	9,951
Capital lease		$ 74,671	13,494	61,177	17,934
Compensated absences	120,985	103,680	94,693	129,972	56,255
Post employment benefits	87,532	53,928	3,458	138,002	
Total Government-Type Activities	$ 240,355	$ 232,279	$ 128,430	$ 344,204	$ 84,140

Business-Type Activities	Outstanding 1/1/2012	Additions	Reductions	Outstanding 12/31/2012	Amounts Due in One Year
Capital lease	$ 41,222		$ 27,207	$ 14,015	$ 14,015
Capital lease	67,874		23,890	43,984	24,786
Capital lease		$ 37,162	6,950	30,212	9,276
GEFA loan - 2007	189,797		186,047	3,750	3,750
GEFA loan - 2008	136,910		17,978	118,932	18,730
Compensated absences	94,679	96,618	56,845	134,452	47,326
Post employment benefits	153,017		24,179	128,838	
Total Business-Type Activities	$ 683,499	$ 133,780	$ 343,096	$ 474,183	$ 117,883

The governmental activities capital lease payable is being financed through future general fund expendable available financial sources as they become due. Principal and interest payments related to the City's GEFA loans and the GMA capital lease for the water and sewer fund are financed from income derived from the operation of the water and sewer system.

The total interest expense for the year ended December 31, 2012, was $316,903.

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. In 2012, compensated absences were liquidated through the general fund, water and sewer fund, electric utility fund, gas utility fund and the sanitation fund.

The post-employment benefits liability will be paid from the fund from which the employees' salaries are paid. In 2012, post employment-benefit liabilities were liquidated through the general fund.

Note 12 - Pension

The City participates in the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer defined benefit pension plan (the Plan). The City became a member of the plan effective November 1, 2001.

Plan Description - The Plan provides retirement, disability and death benefits to plan members and beneficiaries. These retirement provisions were established by an adoption agreement executed by the City Council. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), administered by the Georgia Municipal Association. The Georgia Municipal Association issues a publicly available financial report on GMEBS that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, Atlanta, Georgia 30303.

Funding Policy - The Plan members are not required to contribute to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 12.63% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

Annual Pension Cost - The required contribution was determined as part of the July 1, 2002, actuarial valuation for the Plan using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% per year investment rate of return (net of investment expenses) and (b) projected salary increases for inflation of 3.5% per year plus age and service based merit increases. The actuarial value of net assets is determined by a roll forward of prior year actuarial values combined with contributions, disbursements and expected return on investments, plus 10% of investment gains (losses) during the prior ten years. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 2002 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These periods, if applicable, are closed for this plan year.

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL/(UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
7/1/2009	$ 1,794,589	$ 3,044,723	58.9%	$ 1,250,134	$ 2,129,107	58.7%
7/1/2010	2,398,564	3,363,646	71.3%	965,082	2,257,047	42.8%
7/1/2011	2,698,520	3,753,892	71.9%	1,055,372	2,290,241	46.1%
7/1/2012	3,026,312	4,087,814	74.0%	1,061,502	2,363,354	44.9%

Schedule of Employer Contributions

Year Beginning July 1,	Annual Required Contribution	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2008	$ 209,844	100%	$ 209,844	100%
2009	262,391	100%	262,391	100%
2010	255,439	100%	255,439	100%
2011	285,681	100%	285,681	100%

Note 13 - Postemployment Benefits Other Than Pensions

Plan Description - The City allows for all full-time city employees that are 62 years old and older, with 20 years of service, to retire with the City providing health insurance until age 65 through the City's group health insurance plan, which covers both active and retired members. Benefit provisions were established by approval of City Council. The plan is a single-employer defined benefit administered by Core Administrative Services, which does not issue a publicly available report.

Funding Policy - The City contributes the full amount of the current-year premiums for eligible retired plan members. The City is financing the postemployment benefits on a pay-as-you-go basis. The City has no active employees eligible to receive benefits. The City had one retired employee who began receiving benefits in 2009 which concluded in 2012. For the year 2012, the City recognized $3,458 of net benefit expenditures.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation to the Plan:

Annual required contribution	$	(8,562)
Interest on net OPEB obligation		7,216
Annual OPEB cost		(1,346)
Contributions made		27,637
Increase in net OPEB obligation		26,291
Net OPEB obligation, beginning of year		240,549
Net OPEB obligation, end of year	$	266,840

Funded Status and Funding Progress - As of December 31, 2012, the actuarial accrued liability for benefits was $266,840, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about retirement age, future employment, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, which is consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:
Retirement age for active employees - Based on the historical average retirement age from the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Note 13 - Postemployment Benefits Other Than Pensions (continued)

Turnover - Based on historical turnover data for the City, all employees reaching 20 years of employment are assumed to remain employed with the City until age 62.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on actual historical increase for the City. A rate of 10 percent annual increase was used.

Health insurance premiums - 2012 self-funded health insurance costs per employee for active employees were used as the basis for calculation of the present value of total benefits to be paid.

Based on the rate of return in the City's actuarial report, a discount rate of 3 percent was used.

Note 14 - Net Assets

Net assets on the City-wide statement of net assets as of December 31, 2012, includes an investment in capital assets, net of related debt, calculated as follows:

Investment in capital assets, net of related debt:	Governmental Activities	Business-Type Activities
Cost of capital assets	$ 6,843,690	$ 14,020,391
Less accumulated depreciation	3,491,450	8,510,208
Book value	3,352,240	5,510,183
Less capital related debt	76,230	210,893
Investment in capital assets, net of related debt	$ 3,276,010	$ 5,299,290

Note 15 - Risk Management

The City joined the Georgia Interlocal Risk Management Agency (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the City's management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims, and representing the City in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" which is established by an actuary. The City has not compiled a record of claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims for which the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2012. No provisions have been made in the financial statements for the year ended December 31, 2012, for any estimate of potential unpaid claims.

Note 15 - Risk Management (continued)

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (the Fund). As a participant in the Fund, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the Fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the Fund permits the Fund to levy an assessment upon its members to make up any deficiency the Fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

Note 16 - MEAG Power Contract

In 1976, the City along with 45 other cities and one county (the Participants), all political subdivisions of the State of Georgia, entered into a Power Sales Contract with the Municipal Electric Authority of Georgia (MEAG), a public corporation and instrumentality of the State of Georgia. Under the terms of the agreement, MEAG agrees to provide, and the Participants are obligated to purchase, all of their bulk power supply requirements for a period not to exceed 50 years. In 2004, the Participants unanimously voted to extend the contract with MEAG an additional 50 years. The Participants have agreed to purchase all their future power and energy requirements in excess of that received by the Participants through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by MEAG. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each Participant has guaranteed a portion of the unpaid debt based on their individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations.

At December 31, 2012, the outstanding debt of MEAG was approximately $5 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $84 million at December 31, 2012.

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

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

Flexible Operating Trust Account - This account is available to the City for withdrawal without restriction. This account has a balance of $553 at December 31, 2012, and is included as a current investment in the Electric Utility fund.

New Generation Trust Account - This account is available to the City for certain restricted purposes including funding of future generation projects created by MEAG or for the purchase of additional power sales contracts. This account has a balance of $723 at December 31, 2012, and is included as a non-current restricted investment in the Electric Utility fund.

Note 16 - MEAG Power Contract (continued)

Credit Support Operating Account and Reserve Funded Debt Account - These accounts are restricted to loan or offset to billings from MEAG for power usage, at the discretion of MEAG, and are not currently available to the City. These accounts are not recorded as assets by the Electric fund. The balances in these accounts at December 31, 2012, were as follows:

Credit Support Operating Account	$ 1,120,983
Reserve Funded Debt Account	7,613,401
	$ 8,734,384

Note 17 - Contingent Liabilities

Federal and State Grant Audits - The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

Litigation - The City was a defendant in several lawsuits at December 31, 2012. In the opinion of City management, the outcome of these contingencies will not have a material effect on the financial position of the City.

Contractual Obligation - The City, through its cooperative participation in the Municipal Electric Authority of Georgia (MEAG), is contractually obligated to purchase additional energy that will be available from MEAG's additional future ownership in Plant Vogtle. This contractual obligation, based on management's estimates, will not materially affect the City's financial position. Management's estimates are based in part on increased industrial energy sales projected and the City's ability to increase consumer rates to cover energy cost increases.

Because the General Fund of the City relies heavily on the operating profits of the Utility Funds, the general fund financial position would be materially effected, should management's projections not be realized.

Economic Dependency - The City's electric utility fund sells an estimated 80% of its power to its industrial customers, with 79% of total sales from one customer. This one customer accounts more than 100% of the gross profits. Should the gross profit from these industrial customers materially decrease, the City's financial position would be materially affected in the future. Additionally, the City purchases almost all of the electricity it sells from Municipal Electric Authority of Georgia and purchases all of the gas it sells from Municipal Gas Authority of Georgia.

The City's general fund is dependent on the excess revenues over expenditures of the utility funds. In 2012, the gross profit of the utility funds has deteriorated and has caused the City to reevaluate programs and services and decrease the budgeted activities. The City believes that an adequate plan has been established to offset the negative effects of the decline in the gross profit of the utility funds.

Note 18 - Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the coastal Georgia area, is a member of the Coastal Regional Commission of Georgia (CRC) and is required to pay annual dues thereto. Membership in a CRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the CRC in Georgia. The CRC board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a CRC. Separate financial statements may be obtained from CRC, 127 F Street, Brunswick, Georgia 31520.

Note 19 - Related Organizations

The Housing Authority of the City of Sylvania, Georgia (the Housing Authority) is considered a related organization. The Housing Authority is a legally separate entity having a board composed of members appointed primarily by the City of Waynesboro, Georgia. The City appoints one member to the board. The City is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority is a related organization.

City of Sylvania, Georgia
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	$ 830,040	$ 830,040	$ 793,160	$ (36,880)
Intergovernmental	75,750	75,750	70,168	(5,582)
Licenses and permits	63,980	63,980	56,115	(7,865)
Charges for services	111,100	111,100	96,892	(14,208)
Fines and forfeitures	93,250	93,250	150,274	57,024
Investment earnings	14,000	14,000	5,074	(8,926)
Miscellaneous	24,600	24,600	25,255	655
Total revenues	1,212,720	1,212,720	1,196,938	(15,782)
Expenditures				
Current:				
General government:				
Legislative	29,002	29,002	25,155	3,847
Executive - Mayor	9,468	9,468	8,487	981
Executive - Manager	280,267	280,267	382,608	(102,341)
Financial administration	524,470	524,470	479,534	44,936
Purchase/contractual services	20,610	20,610	23,755	(3,145)
Judicial	64,177	64,177	59,773	4,404
Public safety:				
Fire	516,176	516,176	493,448	22,728
Police	1,031,730	1,031,730	961,069	70,661
Animal control	23,490	23,490	19,950	3,540
Public works:				
Streets	363,615	363,615	342,223	21,392
Garage	189,705	189,705	175,493	14,212
Health and welfare - Nutrition program	176,842	176,842	174,780	2,062
Culture and recreation	36,400	36,400	13,013	23,387
Housing and development				
Building and zoning	5,190	5,190	3,122	2,068
Downtown development	84,676	84,676	65,276	19,400
Total expenditures	3,355,818	3,355,818	3,227,686	128,132
Deficiency of revenues to expenditures	(2,143,098)	(2,143,098)	(2,030,748)	112,350
Other financing sources (uses)				
Inception of capital lease	48,500	48,500	74,671	26,171
Sale of asset	20,000	20,000	7,005	(12,995)
Transfers in (out)	1,724,598	1,724,598	(149,394)	(1,873,992)
Total other financing sources	1,793,098	1,793,098	(67,718)	(1,860,816)
Net change in fund balances	$ (350,000)	$ (350,000)	(2,098,466)	$ (1,748,466)
Fund balances beginning of year			3,016,115	
Fund balances end of year			$ 917,649	

See the accompanying notes to the required supplementary information.

City of Sylvania, Georgia
UDAG Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Investment earnings	$ 14,800	$ 14,800	$ 16,985	$ 2,185
Expenditures			0	0
Net change in fund balance	$ 14,800	$ 14,800	16,985	$ 2,185
Fund balances beginning of year			910,146	
Fund balances end of year			$ 927,131	

Note 1 - Budgetary Information

The City adopts an annual operating budget for the general fund, each special revenue fund, each capital projects fund and the debt service fund.

All budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund.

The City Manager may approve budget transfers within departments. Any changes to a fund total or departmental appropriation within a fund requires approval of the City Council. During the year, there were no budget revisions.

All unexpended annual appropriations lapse at year-end.

On the budgetary basis, debt service expenditures (i.e. $32,247) are budgeted within the functions but are reported as separate character classifications on the GAAP basis.

City of Sylvania, Georgia
General Fund
Comparative Balance Sheet
December 31, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 983,637	$ 2,998,224
Receivables:		
Accounts	71,906	82,011
Property taxes	97,487	76,265
Other	5,724	17,512
Interest	1,366	1,366
Interfund balances	812	812
Prepaid items	40,801	15,779
Total assets	$ 1,201,733	$ 3,191,969
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 48,610	$ 61,870
Accrued expenditures	121,664	46,886
Deferred revenue	113,810	67,098
Total liabilities	284,084	175,854
Fund balances		
Nonspendable - prepaid items	40,801	15,779
Unassigned	876,848	3,000,336
Total fund balances	917,649	3,016,115
Total liabilities and fund balances	$ 1,201,733	$ 3,191,969

City of Sylvania, Georgia
General Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended December 31, 2012 and 2011

	2012	2011
Revenues		
Taxes	$ 793,160	$ 755,863
Intergovernmental	70,168	79,679
Licenses and permits	56,115	67,044
Charges for services	96,892	115,550
Fines and forfeitures	150,274	148,837
Investment earnings	5,074	11,741
Miscellaneous	25,255	26,300
Total revenues	1,196,938	1,205,014
Expenditures		
Current:		
General government:		
Legislative	25,155	31,511
Executive - Mayor	8,487	7,063
Executive - Manager	382,165	341,599
Elections	0	122
Financial administration	478,869	476,993
Purchase/contract services	23,755	9,301
Judicial	59,773	61,806
Public safety:		
Police	938,571	1,055,871
Fire	485,250	561,602
Animal control	19,507	16,799
Public works:		
Streets	342,223	391,438
Garage	175,493	190,554
Health and welfare - Nutrition program	174,780	165,576
Culture and recreation	13,013	16,202
Housing and development		
Building and zoning	3,122	3,420
Economic development and assistance	65,276	76,812
Debt service:		
Principal retirement	30,279	23,845
Interest and fiscal charges	1,968	971
Total expenditures	3,227,686	3,431,485
Deficiency of revenues to expenditures	(2,030,748)	(2,226,471)
Other financing sources (uses)		
Inception of capital lease	74,671	29,500
Proceeds from sale of asset	7,005	1,350
Interfund transfers	(149,394)	4,130,047
Total other financing sources (uses)	(67,718)	4,160,897
Net change in fund balances	(2,098,466)	1,934,426
Fund balances beginning of year	3,016,115	1,081,689
Fund balances end of year	$ 917,649	$ 3,016,115

City of Sylvania, Georgia
UDAG Fund
Comparative Balance Sheet
December 31, 2012 and 2011

	2012	2011
Assets		
Restricted cash and cash equivalents	$ 848,358	$ 764,445
Receivables:		
Interest		143
Notes	84,239	162,543
Total assets	$ 932,597	$ 927,131
Liabilities and Fund Balances		
Fund Balances		
Restricted for housing and development	$ 932,597	$ 927,131

City of Sylvania, Georgia
UDAG Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2012 and 2011

	2012	2011
Revenues		
Investment earnings	$ 5,466	$ 16,985
Expenditures		
Net change in fund balance	5,466	16,985
Fund balances beginning of year	927,131	910,146
Fund balances end of year	$ 932,597	$ 927,131

City of Sylvania, Georgia
Combining Balance Sheet - By Fund Type
Nonmajor Governmental Funds
December 31, 2012

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund SPLOST	Total Nonmajor Governmental Funds
Assets			
Restricted cash and cash equivalents	$ 2,881	$ 98,414	$ 101,295
Receivables - intergovernmental		30,933	30,933
Total assets	$ 2,881	$ 129,347	$ 132,228
Liabilities and Fund Balances			
Liabilities			
Interfund balances	$ 788	$ 24	$ 812
Fund Balances			
Restricted for:			
Capital projects		129,323	129,323
Public safety	2,093		2,093
Total fund balances	2,093	129,323	131,416
Total liabilities and fund balances	$ 2,881	$ 129,347	$ 132,228

City of Sylvania, Georgia

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - By Fund Type

Nonmajor Governmental Funds

For the Year Ended December 31, 2012

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund SPLOST	Total Nonmajor Governmental Funds
Revenues			
Taxes	$ 12,443		$ 12,443
Intergovernmental		$ 165,783	165,783
Fines and forfeitures	1,443		1,443
Investment earnings		80	80
Total revenues	13,886	165,863	179,749
Expenditures			
Current:			
Housing and development	12,443		12,443
Total expenditures	12,443	0	12,443
Excess (deficit) of revenues to expenditures	1,443	165,863	167,306
Other financing uses			
Transfer to water and sewer fund		(191,184)	(191,184)
Net change in fund balances	1,443	(25,321)	(23,878)
Fund balances beginning of year	650	154,644	155,294
Fund balances end of year	$ 2,093	$ 129,323	$ 131,416

City of Sylvania, Georgia

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended December 31, 2012

	Hotel/Motel Tax	Confiscated Assets	Total Nonmajor Special Revenue Funds
Revenues			
Taxes	$ 12,443		$ 12,443
Fines and forfeitures		$ 1,443	1,443
Total revenues	12,443	1,443	13,886
Expenditures			
Current:			
Housing and development	12,443		12,443
Excess of revenues over expenditures	24,886	1,443	26,329
Fund balances beginning of year		650	650
Fund balances end of year	$ 24,886	$ 2,093	$ 26,979

City of Sylvania, Georgia
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012
(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Taxes	$ 15,000	$ 15,000	$ 12,443	$ (2,557)	$ 15,273
Expenditures					
Current:					
Housing and development	15,000	15,000	12,443	2,557	15,273
Net change in fund balance	$ 0	$ 0	0	$ 0	0
Fund balances beginning of year			0		0
Fund balances end of year			$ 0		$ 0

City of Sylvania
Confiscated Assets Fund
Comparative Balance Sheet
December 31, 2012 and 2011

	2012	2011
Assets		
Restricted cash and cash equivalents	$ 2,881	$ 1,438
Liabilities and Fund Balances		
Liabilities		
Interfund balance	$ 788	$ 788
Fund Balances		
Restricted for public safety	2,093	650
Total liabilities and fund balances	$ 2,881	$ 1,438

City of Sylvania, Georgia
Confiscated Assets Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012
(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Fines and forfeitures	$ 0	$ 0	$ 1,443	$ 1,443	$ 150
Expenditures	0	0		0	
Excess of revenues to expenses	$ 0	$ 0	1,443	$ 1,443	$ 150
Fund balances beginning of year			650		500
Fund balances end of year			$ 2,093		$ 650

City of Sylvania
SPLOST Capital Projects Fund
Comparative Balance Sheet
December 31, 2012 and 2011

	2012	2011
Assets		
Restricted cash and cash equivalents	$ 98,414	$ 109,637
Receivables - intergovernmental	30,933	45,031
Total assets	$ 129,347	$ 154,668
Liabilities and Fund Balances		
Liabilities		
Interfund balances	$ 24	$ 24
Fund Balances		
Restricted for capital projects	129,323	154,644
Total liabilities and fund balances	$ 129,347	$ 154,668

City of Sylvania
SPLOST Capital Projects Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances
December 31, 2012 and 2011

	2012	2011
Revenues		
Intergovernmental	$ 165,783	$ 182,447
Investment earnings	80	57
Total revenues	165,863	182,504
Expenditures		
Capital outlays		
Public safety - fire		215,000
Excess (deficit) of revenues to expenditures	165,863	(32,496)
Other financing uses		
Transfer to water and sewer fund	(191,184)	(75,000)
Net change in fund balances	(25,321)	(107,496)
Fund balances beginning of year	154,644	262,140
Fund balances end of year	$ 129,323	$ 154,644

City of Sylvania, Georgia
Water and Sewer Fund
Comparative Schedule of Net Assets
December 31, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 49,005	$ 48,809
Accounts receivable	83,146	92,684
Prepaid insurance	11,388	6,384
Total current assets	143,539	147,877
Noncurrent assets		
Capital assets		
Nondepreciable capital asset	16,550	16,550
Depreciable capital assets, net	2,973,783	3,116,820
Total noncurrent assets	2,990,333	3,133,370
Total assets	3,133,872	3,281,247
Liabilities		
Current liabilities		
Accounts payable	16,603	50,243
Accrued interest payable	365	1,447
Accrued payroll	7,621	10,101
Compensated absences payable	10,086	9,382
Notes payable	22,480	59,485
Total current liabilities	57,155	130,658
Long-term liabilities		
Compensated absences payable (net of current portion)	7,666	6,254
Post-employment benefit payable	18,043	22,996
Notes payable (net of current portion)	100,202	267,222
Total long-term liabilities	125,911	296,472
Total liabilities	183,066	427,130
Net assets		
Invested in capital assets, net of related debt	2,867,651	2,806,663
Unrestricted	83,155	47,454
Total net assets	$ 2,950,806	$ 2,854,117

City of Sylvania, Georgia
Water and Sewer Fund
Comparative Schedule of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2012 and 2011

	2012	2011
Operating Revenues		
Charges for services	$ 1,116,378	$ 1,233,675
Miscellaneous	11,518	19,758
Total operating revenues	1,127,896	1,253,433
Operating expenses		
Salaries	300,215	310,894
Social security	21,981	22,740
Group insurance	27,314	180,970
Retirement	25,229	54,887
Workers' compensation	19,992	13,512
Contract services	19,594	19,547
Chemicals	13,115	17,022
Materials and supplies	11,800	29,833
Gas, oil, and tires	16,493	19,359
Uniforms and safety equipment	5,733	5,541
Vehicle repairs	5,490	5,914
Engineering and consulting	11,860	7,623
Meter reading	28,917	34,129
Postage	3,500	4,630
Communications	3,506	2,884
Insurance	25,749	18,444
Public utilities	76,413	70,057
Maintenance and testing	57,675	67,019
Tipping fees	24,140	22,328
Bad debts	4,370	104,148
Other	5,093	6,909
Depreciation	143,037	151,510
Total operating expenses	851,216	1,169,900
Operating income	276,680	83,533
Non-operating revenues (expenses)		
Interest and fiscal charges	(9,332)	(15,501)
Gain on sale of surplus capital assets	4,144	
Grant proceeds		233,159
Investment earnings	196	22
Total non-operating revenues (expenses)	(4,992)	217,680
Income before transfers	271,688	301,213
Transfers		
Transfer in - SPLOST	191,184	75,000
Transfers out	(366,183)	(282,689)
Total transfers	(174,999)	(207,689)
Change in net assets	96,689	93,524
Net assets beginning of year	2,854,117	2,760,593
Net assets end of year	$ 2,950,806	$ 2,854,117

City of Sylvania, Georgia
Electricity Utility Fund
Comparative Schedule of Net Assets
December 31, 2012 and 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	$ 106,089	$ 108,987
Investments	1,911,057	265,048
Accounts receivable	3,461,368	2,568,247
Prepaid insurance	8,405	3,818
Total current assets	5,486,919	2,946,100
Noncurrent assets		
Restricted assets:		
Investments - MEAG Generation Trust	723	1,662,750
Capital assets:		
Depreciable capital assets, net	2,119,576	2,195,626
Total noncurrent assets	2,120,299	3,858,376
Total assets	7,607,218	6,804,476
Liabilities		
Current liabilities		
Accounts payable	4,816,929	5,471,240
Sales tax payable	10,190	20,626
Accrued liabilities	8,795	9,107
Compensated absences payable	22,976	22,427
Customer deposits payable	243,588	238,159
Capital lease	20,672	27,207
Total current liabilities	5,123,150	5,788,766
Long-term liabilities		
Compensated absences payable (net of current portion)	47,392	14,951
Post-employment benefit payable	42,807	48,707
Capital lease (net of current portion)	15,026	14,016
	105,225	77,674
Total liabilities	5,228,375	5,866,440
Net Assets		
Invested in capital assets	2,083,878	2,154,403
Restricted - MEAG power generation and credit support	723	1,662,750
Unrestricted	294,242	(2,879,117)
Total Net Assets	$ 2,378,843	$ 938,036

City of Sylvania, Georgia
Electricity Utility Fund
Comparative Schedule of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2012 and 2011

	2012	2011
Operating revenues		
Charges for services	$ 27,611,038	$ 31,700,378
Miscellaneous	3,090	15,104
Total operating revenues	27,614,128	31,715,482
Operating expenses		
Cost of sales	25,701,362	30,850,830
Salaries	357,669	333,204
Social security	23,521	24,348
Group insurance	121,276	51,355
Retirement and other post-employment benefits	24,966	56,760
Workers' compensation	12,895	10,813
Legal fees	28,509	
Contract services		10,849
Materials and supplies	35,188	57,788
Gas, oil, and tires	14,707	17,494
Uniforms and safety equipment	3,183	3,111
Vehicle repairs	5,428	10,529
Engineering and consulting	60,775	40,136
Meter reading	28,917	34,129
Postage	3,062	3,741
Communications	1,409	1,758
Insurance	12,695	11,031
Public utilities	7,165	7,894
Maintenance and testing	79,159	65,609
Bad debts	28,794	137,984
Other	1,378	485
Depreciation	124,434	107,909
Total operating expenses	26,676,492	31,837,757
Operating income (loss)	937,636	(122,275)
Non-operating revenues (expenses)		
Interest and fiscal charges	(302,678)	(50,932)
Investment earnings	6	554
Gain on sales of surplus capital assets	925	
MEAG Generation Trust additions	168,979	710,148
MEAG Generation Trust investment earnings	3,100	14,449
Total non-operating revenues (expenses)	(129,668)	674,219
Income before transfers	807,968	551,944
Transfers in (out)	632,839	(3,603,425)
Change in net assets	1,440,807	(3,051,481)
Net assets beginning of year	938,036	3,989,517
Net assets end of year	$ 2,378,843	$ 938,036

City of Sylvania, Georgia
Gas Utility Fund
Comparative Schedule of Net Assets
December 31, 2012 and 2011

	2012	2011
Assets		
Current assets		
Accounts receivable	$ 455,603	$ 280,745
Prepaid insurance	2,538	870
Total current assets	458,141	281,615
Noncurrent assets		
Capital assets		
Depreciable capital assets, net	336,599	349,858
Total assets	794,740	631,473
Liabilities		
Current liabilities		
Accounts payable	207,625	368,755
Accrued payroll	3,036	2,880
Compensated absences payable	6,059	5,783
Total current liabilities	216,720	377,418
Long-term liabilities		
Compensated absences payable (net of current portion)	4,039	3,855
Post-employment benefit payable	41,106	46,359
	45,145	50,214
Total liabilities	261,865	427,632
Net Assets		
Invested in capital assets, net of related debt	336,599	349,858
Unrestricted	196,276	(146,017)
Total net assets	$ 532,875	$ 203,841

City of Sylvania, Georgia
Gas Utility Fund
Comparative Schedule of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2012 and 2011

	2012	2011
Operating revenues		
Charges for services	$ 4,015,546	$ 5,309,400
Miscellaneous	48	2,025
Total operating revenues	4,015,594	5,311,425
Operating expenses		
Cost of sales	3,367,895	4,808,012
Salaries	108,780	108,605
Social security	7,934	7,783
Group insurance	10,434	12,286
Retirement and other post-employment benefits	5,684	47,018
Workers' compensation	3,293	1,513
Contract labor		481
Chemicals		972
Materials and supplies	7,787	3,953
Gas, oil, and tires	4,131	4,692
Uniforms and safety equipment	1,702	1,456
Vehicle repairs	933	2,631
Meter reading	28,917	34,129
Postage	3,039	3,938
Communications	2,516	2,209
Insurance	3,283	2,951
Public utilities	717	648
Maintenance and testing	15,004	15,483
Bad debts	2,180	30,599
Other	5,800	2,402
Depreciation	13,259	23,666
Total operating expenses	3,593,288	5,115,427
Operating income	422,306	195,998
Transfers out	(93,272)	(252,382)
Change in net assets	329,034	(56,384)
Net assets beginning of year	203,841	260,225
Net assets end of year	$ 532,875	$ 203,841

City of Sylvania, Georgia
Sanitation Fund
Comparative Schedule of Net Assets
December 31, 2012 and 2011

	2012	2011
Assets		
Current assets		
Accounts receivable	$ 41,468	$ 42,434
Prepaid insurance	10,537	5,115
Total current assets	52,005	47,549
Noncurrent assets		
Capital assets		
Nondepreciable capital assets, net	6,507	6,507
Depreciable capital assets, net	57,168	72,181
Total noncurrent assets	63,675	78,688
Total assets	115,680	126,237
Liabilities		
Current liabilities		
Accounts payable	2,539	10,437
Accrued payroll	7,157	7,807
Compensated absences payable	8,205	11,008
Capital lease	27,405	23,890
Total current liabilities	45,306	53,142
Long-term liabilities		
Compensated absences payable (net of current portion)	28,029	21,019
Post-employment benefit payable	26,882	34,955
Capital lease (net of current portion)	25,108	43,983
	80,019	99,957
Total liabilities	125,325	153,099
Net assets		
Invested in capital assets, net of related debt	11,162	10,815
Unrestricted	(20,807)	(37,677)
Total net assets	$ (9,645)	$ (26,862)

City of Sylvania, Georgia
Sanitation Fund
Comparative Schedule of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2012 and 2011

	2012	2011
Operating revenues		
Charges for services	$ 488,500	$ 463,922
Operating expenses		
Salaries	227,839	244,168
Social security	16,289	17,605
Group insurance	78,377	58,790
Retirement and other post-employment benefits	17,175	47,799
Workers' compensation	7,184	13,836
Gas, oil, and tires	34,360	33,221
Uniforms and safety equipment	2,308	3,582
Vehicle repairs	3,546	13,871
Insurance	9,558	12,815
Repairs, maintenance and testing	6,131	14,046
Tipping fees	13,186	15,126
Bad debts	2,151	20,619
Other	616	185
Depreciation	25,791	24,174
Total operating expenses	444,511	519,837
Operating loss	43,989	(55,915)
Non-operating expenses		
Interest and fiscal charges	(2,782)	(3,046)
Loss before transfers	41,207	(58,961)
Interfund transfers	(23,990)	8,449
Change in net assets	17,217	(50,512)
Net assets beginning of year	(26,862)	23,650
Net assets end of year	$ (9,645)	$ (26,862)

CITY OF SYLVANIA, GEORGIA
SCHEDULE OF HOTEL/MOTEL TAX
FOR THE YEAR ENDED DECEMBER 31, 2012

In accordance with O.C.G.A. 48-13-51, the City of Sylvania levies a 5% tax on hotel/motel lodging and disburses collected funds to the Screven County Chamber of Commerce and the Sylvania Downtown Development authority to use for the promotion of tourism.

This schedule provides information on the amount of Hotel/Motel tax cash receipts and the amount of such receipts which were disbursed or contractually committed to be disbursed to the Screven County Chamber of Commerce and the Sylvania Downtown Development Authority.

Revenues and expenditures for the year ended December 31, 2012, were as follows.

	Amount	Amount as a percentage of revenue
Hotel/Motel tax cash receipts	$ 12,443	
Expenditures to:		
Screven County Chamber of Commerce	$ 7,466	
Sylvania Downtown Development Authority	4,977	
	$ 12,443	100.00%

City of Sylvania, Georgia
Schedule of Projects Constructed with
Special Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2012

	Original Estimated Cost	Revised Estimated Cost	Actual Cost			Estimated Percentage Complete
			Prior Years	Current Year	Total	
Community Outdoor Amphitheater	$ 50,000	$ 50,000	$ 50,000		$ 50,000	100.00%
Retire GEFA Debt	453,655	542,978	262,471	$ 191,184	453,655	100.00%
Waste Water Plant	466,721	466,721	466,721		466,721	100.00%
Street Resurfacing	75,000	75,000	35,000		35,000	46.67%
Class A Fire Truck	215,000	215,000	215,000		215,000	100.00%
	$ 1,260,376	$ 1,349,699	$ 1,029,192	$ 191,184	$ 1,220,376	

Total funds available for SPLOST projects at December 31, 2012 $ 129,323

CAINES, HODGES & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Mayor and Council
City of Sylvania, Georgia

We have audited, in accordance with the 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Sylvania, Georgia, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise City of Sylvania, Georgia's basic financial statements, and have issued our report thereon dated June 28, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Sylvania, 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 City of Sylvania, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Sylvania, Georgia'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sylvania, 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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which IS described in the accompanying schedule of findings and responses as item 2012-1.

City of Sylvania, Georgia's Response to Finding

City of Sylvania, Georgia's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. City of Sylvania, Georiga'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.

Carter, Hodges & Company, P.C.

Rincon, Georgia
June 28, 2013

City of Sylvania, Georgia
Schedule of Findings and Responses
December 31, 2012

Internal Control over Financial Reporting

None

Compliance and Other Matters

2012-1 Budgetary requirements

Condition: The City violated the state law by expending funds in excess of appropriations. Expenditures exceeded appropriations in the general fund for general government (manager, and purchase/contract departments).

Context: Management attempted to present adequate and timely budget amendments; however, it underestimated the actual needs at year end due the separation of the City Manager and his related termination benefits. The City Council receives monthly financial reports and is aware of budget variances; however, the necessary budget amendments were not made.

Effect: This condition results in inadequate monitoring of expenditures resulting in violation of state law.

Recommendation: Improve monitoring of expenditures and comparison of departmental expenditures to budget. At year end consider possible outstanding accruals, especially those related to termination and post-employment benefits.

Management response: Management agrees with finding and has implemented procedures to ensure that departmental expenditures will be better monitored and comparisons to budget are more closely monitored including year end procedures to consider possible outstanding unrecorded expenditures.