

**CITY OF FORT OGLETHORPE,
GEORGIA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

For the Year Ended December 31, 2011

JOHNSON, HICKEY & MURCHISON, P.C.
Certified Public Accountants
Chattanooga, Tennessee

TABLE OF CONTENTS

	<u>P a g e</u>
FINANCIAL SECTION:	
INDEPENDENT AUDITORS' REPORT	iv-v
MANAGEMENT'S DISCUSSION AND ANALYSIS	vi-xiii
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT WIDE FINANCIAL STATEMENTS:	
Statement of Net Assets	1
Statement of Activities	2
FUND FINANCIAL STATEMENTS:	
Governmental Funds -	
Balance Sheet	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Proprietary Funds -	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Fiduciary Funds -	
Statement of Changes in Fiduciary Assets and Liabilities	10
Component Units -	
Statement of Net Assets	11
Statement of Activities	12
NOTES TO BASIC FINANCIAL STATEMENTS	13-36
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	39-41

TABLE OF CONTENTS

	<u>P a g e</u>
OTHER SUPPLEMENTARY INFORMATION:	
Combining Financial Statements - Nonmajor Governmental Funds	
Combining Balance Sheet	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	45
Financial Schedules -	
Schedule of Changes in Property Taxes Receivable	47
Schedule of Water and Sewer Rates	48
INTERNAL CONTROL AND COMPLIANCE SECTION:	
Schedule of Expenditures of Federal Awards	50
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51-52
Independent Auditors' Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and On Internal Control Over Compliance in Accordance With OMB Circular A-133	53-54
Schedule of Findings and Responses	55
SPECIAL LOCAL OPTION SALES TAX:	
Independent Auditors' Report on Special 1 Percent Sales and Use Tax	57
Schedule of Projects Constructed with Special Sales Tax Proceeds	58

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

**To the Mayor and City Council
City of Fort Oglethorpe, Georgia:**

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 the City of Fort Oglethorpe, Georgia, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Fort Oglethorpe, Georgia. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of the Downtown Development Authority component unit have not been audited, and we were not engaged to audit the Downtown Development Authority's financial statements as part of our audit of the City's basic financial statements. The Downtown Development Authority's financial activities are included in the City's basic financial statements as a discretely presented component unit and represent 20 percent, 20 percent, and 28 percent of the assets, net assets, and revenues, respectively, of the City's aggregate discretely presented component units.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Downtown Development Authority's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for the City of Fort Oglethorpe, Georgia, as of December 31, 2011, and the changes in the financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Oglethorpe, Georgia, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2012, on our consideration of the City of Fort Oglethorpe, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fort Oglethorpe, Georgia's financial statements as a whole. The combining nonmajor fund financial statements and financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the City's financial statements. The financial information and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Johnson, Wiley & Meacham, P.C.

June 28, 2012

**City of Fort Oglethorpe, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2011**

Management's discussion and analysis provides an objective and easily readable analysis of the City's financial activities. The analysis provides summary financial information for the City of Fort Oglethorpe and should be read in conjunction with the City's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements consist of three components. The Statement of Net Assets and the Statement of Activities (government-wide financial statements), on page 1 and 2, provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 3. For governmental activities, these statements tell how activities were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The financial statements also include notes which explain some of the information in the Government-wide and Fund financial statements, and which provide additional detail concerning the financial activities of the City. The information contained in these notes is essential to a full understanding of the Government-wide and Fund financial statements. The notes to the basic financial statements begin on page 13 of this report.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page viii. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets, the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City’s basic services are reported here, including public safety, public works, recreation and general administration. Property taxes, license & permits, local option sales tax, business taxes and franchise fees finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover the cost of certain services it provides. The City’s water and sewer activities are reported here.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense) / Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City’s taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General government	Charges for bad checks, charges for copies
Public safety	Fines and forfeitures
Housing and development	Building, plumbing and electrical permits
Culture and recreation	Pool admissions and pavilion fees
Grants and Contributions	Predominantly grants from other governments for specific projects, also including proceeds from Special Local Option Sales Taxes, which are restricted for specific capital related activities

Other governmental revenues are reported as general. It is important to note that all taxes, with the exception of the Special Local Option Sales Taxes referred to above, are classified as general revenue even if restricted for a specific purpose.

Reporting the City’s Most Significant Funds

Fund Financial Statements

Our analysis of the City’s major funds begins on page x. The fund financial statements begin on page 3 and provide detailed information about the most significant funds – not the City as a whole. Individual funds are established to track revenues that are restricted to certain uses, comply with legal requirements, or account for the use of state and federal grants. The City’s two kinds of funds, governmental and proprietary, use different accounting approaches.

- **Governmental funds** – Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations following the fund financial statements.
- **Proprietary funds** – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City’s enterprise fund is the same as the business-type activities we report in the governmental-wide statements but provide more detail and additional information, such as cash flows.

FINANCIAL HIGHLIGHTS

For the years ended December 31, 2011 and 2010, a summary of net assets of the primary government is as follows:

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets \$	8,893,170	\$ 8,229,362	\$ 7,226,122	\$ 8,847,404	\$ 16,119,292	\$ 17,076,766
Capital Assets	9,481,153	8,701,201	15,952,125	13,874,980	25,433,278	22,576,181
Total Assets	<u>18,374,323</u>	<u>16,930,563</u>	<u>23,178,247</u>	<u>22,722,384</u>	<u>41,552,570</u>	<u>39,652,947</u>
Current liabilities	252,889	389,561	524,110	608,518	776,999	998,079
Long-term liabilities	<u>570,740</u>	<u>669,902</u>	<u>10,445,000</u>	<u>10,675,000</u>	<u>11,015,740</u>	<u>11,344,902</u>
Total liabilities	<u>823,629</u>	<u>1,059,463</u>	<u>10,969,110</u>	<u>11,283,518</u>	<u>11,792,739</u>	<u>12,342,981</u>
Net assets:						
Invested in capital assets						
net of related debt	9,066,473	8,073,333	5,507,125	3,199,980	14,573,598	11,273,313
Restricted	220,933	201,766	-	-	220,933	201,766
Unrestricted	<u>8,263,288</u>	<u>7,596,001</u>	<u>6,702,012</u>	<u>8,238,886</u>	<u>14,965,300</u>	<u>15,834,887</u>
Total net assets	<u>\$ 17,550,694</u>	<u>\$ 15,871,100</u>	<u>\$ 12,209,137</u>	<u>\$ 11,438,866</u>	<u>\$ 29,759,831</u>	<u>\$ 27,309,966</u>

The following table provides a summary of the primary government's operations and changes in net assets for the year ended December 31, 2011 with comparative totals for the year ended December 31, 2010.

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program revenues						
Charges for services	\$ 1,155,807	\$ 1,132,145	\$ 3,455,500	\$ 3,283,560	\$ 4,611,307	\$ 4,415,705
Operating Grants	36,612	16,857	-	-	36,612	16,857
Capital Grants	2,014,578	2,343,425	283,548	49,991	2,298,126	2,393,416
General revenues						
Taxes	5,480,527	5,041,513	-	-	5,480,527	5,041,513
Investment earnings	114,388	80,838	112,343	152,294	226,731	233,132
Other	259,567	107,590	81,157	77,203	340,724	184,793
Total revenues	<u>9,061,479</u>	<u>8,722,368</u>	<u>3,932,548</u>	<u>3,563,048</u>	<u>12,994,027</u>	<u>12,285,416</u>
Expenses						
Judicial	408,328	374,113	-	-	408,328	374,113
General government	1,147,224	1,135,180	-	-	1,147,224	1,135,180
Public safety	3,329,763	2,987,993	-	-	3,329,763	2,987,993
Public works	1,281,685	1,187,472	-	-	1,281,685	1,187,472
Housing and development	90,647	169,116	-	-	90,647	169,116
Public welfare	29,078	26,594	-	-	29,078	26,594
General operating expenses	-	-	3,440,617	3,219,558	3,440,617	3,219,558
Culture and recreation	345,249	347,370	-	-	345,249	347,370
Interest	23,882	28,304	447,689	465,097	471,571	493,401
Bond call expense	-	-	-	-	-	-
Total expenses	<u>6,655,856</u>	<u>6,256,142</u>	<u>3,888,306</u>	<u>3,684,655</u>	<u>10,544,162</u>	<u>9,940,797</u>
Excess (deficiency) of revenues over expenses	2,405,623	2,466,226	44,242	(121,607)	2,449,865	2,344,619
Transfers	<u>(726,029)</u>	<u>(1,594,582)</u>	<u>726,029</u>	<u>1,594,582</u>	<u>-</u>	<u>-</u>
Change in assets	1,679,594	871,644	770,271	1,472,975	2,449,865	2,344,619
Net assets Jan. 1	15,871,100	14,999,456	11,438,866	9,965,891	27,309,966	24,965,347
Net assets Dec. 31	<u>\$ 17,550,694</u>	<u>\$ 15,871,100</u>	<u>\$ 12,209,137</u>	<u>\$ 11,438,866</u>	<u>\$ 29,759,831</u>	<u>\$ 27,309,966</u>

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Fort Oglethorpe, assets exceeded liabilities by \$ 29.8 million as of December 31, 2011.

Approximately 49% of the City's net assets reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending.

Governmental Activities

Governmental activities increased the City's net asset by \$1,679,594. Tax revenues greater than planned for and expenses planned for but not expended in the area of executive, general government buildings, administration, public works, parks and protective administration were the major contributors to the increase in net assets.

Business-type Activities

Business-type activities increased the City's net assets by \$770,271. SPLOST proceeds totaling \$726,029 were used to purchase equipment for the water and sewer fund, as well as to pay principle and interest payments on the 2009 revenue bonds whose proceeds are being used for improving and constructing new infrastructure.

FUND FINANCIAL INFORMATION

The city uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

The general fund is the chief operating fund of the City. As of December 31, 2011, unassigned fund balance was \$6 million. The revenue budget was amended by approximately \$234,000 to reflect an increase in income from the county for fire protection and additional income from rental income. The expense budget was also amended to cover the following costs: \$56,000 to cover costs for the HRA account with the city's health care provider, \$8,074 to cover additional costs of raises, \$21,135 to cover the cost of the city's new 401(a) defined contribution plan, \$105,047 for additional fire department expenses, \$10,000 for additional patrol expenses, \$10,000 for ARC expenses, \$5,000 attorney restitution expenses, \$5,000 additional election expenses, \$2,926 additional audit expense, \$5,000 chaplain services, and \$6,090 for time clocks. Actual revenues and other sources were more than the amount budgeted by approximately \$858,719 and actual expenditures and other uses were approximately \$489,463 less than the amount budgeted, yielding a positive variance of approximately \$1,348,182.

Other Governmental Funds

The SPLOST capital projects fund assets were \$180,538, liabilities \$0 and restricted fund balance was \$180,538 for the year ended December 31, 2011.

Special Revenue Funds

The City uses special revenue funds to account for the collection and disbursement of revenues that are legally restricted to expenditures for specific purposes. Included in this classification are hotel/motel tax, confiscated assets, and law enforcement funds. Combined total assets of the above funds were \$42,837 as of December 31, 2011, liabilities \$1,942 and unreserved fund balances were \$40,895.

Proprietary Funds

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements.

The City has one business-type activity, the water and sewer fund. Unrestricted net assets of the water and sewer operations at the end of the year were \$6,702,012.

GENERAL FUND BUDGETARY HIGHLIGHTS

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level. The most significant budget is that of the General Fund.

When comparing the final budget and the actual amounts, revenues for the general fund were \$858,719 more than projections, primarily due to actual sales and use taxes, franchise taxes, charges for services, and fines and forfeitures being more than was budgeted. These increases resulted in actual revenues of approximately \$903,000 over budget, with licenses and permits being under budget by \$44,000. Expenditures were \$489,463 less than the anticipated budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2011, the City had \$25.4 million invested in capital assets including equipment, buildings, and public improvements. This represents a net increase of \$2,857,097 or 12.7 percent, compared to last year. This increase consisted of asset additions of approximately \$3.8 million, net of depreciation of \$927,243.

Asset additions for governmental activities were approximately \$1,251 thousand, and consisted of \$62,313 for equipment and vehicles, \$45,328 for buildings and \$1,143,208 for public improvements. Asset additions of approximately \$2,535,000 for business activities were primarily for additions and improvements to sewer lines.

A summary of capital assets, net of depreciation, is as follows:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,030,268	\$ 853,768	\$ 89,156	\$ 89,156	\$ 1,119,424	\$ 942,924
Building	3,868,195	4,582,709	49,043	52,244	3,917,238	4,634,953
Public Improvements	3,308,050	2,045,715	13,115,270	11,545,847	16,423,320	13,591,562
Equipment, vehicles, furniture and fixtures	795,422	951,614	72,435	110,115	867,857	1,061,729
Construction in progress	479,218	267,395	2,626,221	2,077,618	3,105,439	2,345,013
Total	<u>\$ 9,481,153</u>	<u>\$ 8,701,201</u>	<u>\$ 15,952,125</u>	<u>\$ 13,874,980</u>	<u>\$ 25,433,278</u>	<u>\$ 22,576,181</u>

Additional information on the City's capital assets can be found in Note 4 of this report.

Long-Term Debt

At year-end the City had \$11,015,740 in outstanding long-term debt compared to \$11,344,902 last year. The majority of the long-term debt is from the 2009 Water and Sewer Revenue Refunding and Improvement Bond Issue. The proceeds from the bonds are being used for the addition, extension and improvement of the city's water and sewerage system. Bonds payable at the end of 2011 are \$10,445,000.

A summary of long-term debt is as follows:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital Lease Obligation	\$414,680	\$523,486	-	-	\$414,680	\$523,486
Compensated Absences	156,060	146,416	-	-	156,060	146,416
Revenue Bonds	-	-	10,445,000	10,675,000	10,445,000	10,675,000
Total	\$570,740	\$669,902	\$10,445,000	\$10,675,000	\$11,015,740	\$11,344,902

The long-term debt for the governmental activities consists of two capital lease obligations for a fire truck payable yearly through July, 2018 and police cars payable yearly through November, 2012.

The primary note payable for the business-type activity consists of Series 2009 Water Sewer Revenue Bonds payable semi-annually in varying amounts through October, 2038.

Additional information on the City's long-term debt can be found in Note 5 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In adopting the budget for the ensuing fiscal year 2012, the City officials considered many factors in making judgments and estimates about the finances of the upcoming year. A primary objective was to continue to provide basic services to the citizens while attempting to keep the property tax rate low.

The City budgeted a 2.8% increase in general fund revenues and expenses for 2012. The increase is due to an anticipated slight increase in property tax and sales tax.

The city budgeted a 12.6% increase in revenues in the proprietary fund (water and sewer fund) and also a 12.6% increase in expenditures. These increases are due to the City increasing water and sewer rates to be in compliance with the 2009 Water and Sewer Revenue Bond covenants.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This report was prepared by the Finance Department of the City of Fort Oglethorpe and is designed to present a general overview of the City's accountability. Questions concerning this report or requests for additional information can be obtained by contacting the City of Fort Oglethorpe at 500 City Hall Drive, Fort Oglethorpe, Georgia. Phone # 706-866-2544.

CITY OF FORT OGLETHORPE, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS:				
Cash and cash equivalents	\$ 5,144,127	\$ 5,437,520	\$ 10,581,647	\$ 17,499
Restricted cash and cash equivalents	-	2,580,303	2,580,303	-
Due from other governmental entities	1,044,584	-	1,044,584	-
Property taxes receivable	284,522	-	284,522	-
Other taxes receivable	337,933	-	337,933	-
Other receivables	163,298	260,534	423,832	-
Due from (to) other fund	1,735,164	(1,735,164)	-	-
Prepaid supplies	21,551	-	21,551	-
Prepaid insurance	161,991	35,782	197,773	-
Bond issue costs	-	647,147	647,147	-
Land and other nondepreciable assets	1,509,486	2,715,377	4,224,863	-
Other capital assets, net of accumulated depreciation	<u>7,971,667</u>	<u>13,236,748</u>	<u>21,208,415</u>	<u>-</u>
Total assets	<u>\$ 18,374,323</u>	<u>\$ 23,178,247</u>	<u>\$ 41,552,570</u>	<u>\$ 17,499</u>
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable	\$ 127,242	\$ 194,645	\$ 321,887	\$ -
Payroll withholdings and accruals	124,546	26,912	151,458	-
Deferred revenue	1,101	-	1,101	-
Accrued interest payable	-	111,060	111,060	-
Compensated absences payable	-	40,397	40,397	-
Customer deposits	-	151,096	151,096	-
Long-term liabilities -				
Due within one year	269,476	235,000	504,476	-
Due in more than one year	<u>301,264</u>	<u>10,210,000</u>	<u>10,511,264</u>	<u>-</u>
Total liabilities	<u>823,629</u>	<u>10,969,110</u>	<u>11,792,739</u>	<u>-</u>
Net assets:				
Invested in capital assets, net of related debt	9,066,473	5,507,125	14,573,598	-
Restricted for -				
SPLOST projects	180,538	-	180,538	-
Public safety	40,395	-	40,395	-
Unrestricted	<u>8,263,288</u>	<u>6,702,012</u>	<u>14,965,300</u>	<u>17,499</u>
Total net assets	<u>17,550,694</u>	<u>12,209,137</u>	<u>29,759,831</u>	<u>17,499</u>
Total liabilities and net assets	<u>\$ 18,374,323</u>	<u>\$ 23,178,247</u>	<u>\$ 41,552,570</u>	<u>\$ 17,499</u>

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
Judicial	\$ 408,328	\$ -	\$ -	\$ -	\$ (408,328)	\$ -	\$ (408,328)	\$ -
General government	1,147,224	287	12,416	1,537,293	402,772	-	402,772	-
Public safety	3,329,763	992,587	24,196	1,650	(2,311,330)	-	(2,311,330)	-
Public works	1,281,685	-	-	475,635	(806,050)	-	(806,050)	-
Housing and development	90,647	44,909	-	-	(45,738)	-	(45,738)	-
Public welfare	29,078	-	-	-	(29,078)	-	(29,078)	-
Culture and recreation	345,249	118,024	-	-	(227,225)	-	(227,225)	-
Interest	23,882	-	-	-	(23,882)	-	(23,882)	-
Total governmental activities	6,655,856	1,155,807	36,612	2,014,578	(3,448,859)	-	(3,448,859)	-
Business-type activities:								
Water and sewer management	3,888,306	3,455,500	-	283,548	-	(149,258)	(149,258)	-
Total business-type activities	3,888,306	3,455,500	-	283,548	-	(149,258)	(149,258)	-
Total primary government	10,544,162	4,611,307	36,612	2,298,126	(3,448,859)	(149,258)	(3,598,117)	-
COMPONENT UNITS:								
Recreation Commission	12,992	-	10,000	-	-	-	-	(2,992)
Downtown Development Authority	4,645	-	3,960	-	-	-	-	(685)
Total component units	\$ 17,637	\$ -	\$ 13,960	\$ -	-	-	-	(3,677)
GENERAL REVENUES:								
					1,411,838	-	1,411,838	-
					1,922,818	-	1,922,818	-
					194,060	-	194,060	-
					851,728	-	851,728	-
					903,938	-	903,938	-
					196,145	-	196,145	-
					139,154	-	139,154	-
					60,490	-	60,490	-
					114,388	112,343	226,731	95
					59,923	81,157	141,080	-
Total general revenues					5,854,482	193,500	6,047,982	95
TRANSFERS					(726,029)	726,029	-	-
Change in net assets					1,679,594	770,271	2,449,865	(3,582)
NET ASSETS:								
Beginning					15,871,100	11,438,866	27,309,966	21,081
Ending					\$ 17,550,694	\$ 12,209,137	\$ 29,759,831	\$ 17,499

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General Fund	SPLOST Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 4,931,994	\$ 180,538	\$ 31,595	\$ 5,144,127
Due from other				
governmental entities	1,044,584	-	-	1,044,584
Due from other funds	1,737,106	-	-	1,737,106
Property taxes receivable	284,522	-	-	284,522
Other taxes receivable	337,933	-	-	337,933
Other receivables	152,056	-	11,242	163,298
Prepaid insurance	161,991	-	-	161,991
Other prepaid items	<u>21,551</u>	<u>-</u>	<u>-</u>	<u>21,551</u>
 Total assets	 <u>\$ 8,671,737</u>	 <u>\$ 180,538</u>	 <u>\$ 42,837</u>	 <u>\$ 8,895,112</u>
 LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 127,242	\$ -	\$ -	\$ 127,242
Payroll withholdings and accruals	124,546	-	-	124,546
Due to other funds	-	-	1,942	1,942
Deferred tax revenue	225,307	-	-	225,307
Other deferred revenue	<u>1,101</u>	<u>-</u>	<u>-</u>	<u>1,101</u>
 Total liabilities	 <u>478,196</u>	 <u>-</u>	 <u>1,942</u>	 <u>480,138</u>
 Fund balances:				
Nonspendable -				
Prepaid items	183,542	-	-	183,542
Advance to other fund	1,678,916	-	-	1,678,916
Restricted for -				
SPLOST projects	-	180,538	-	180,538
Capital projects	33,490	-	-	33,490
Tourism	29,687	-	-	29,687
Committed for -				
Public safety	-	-	40,395	40,395
Capital projects	-	-	500	500
Assigned -				
Next fiscal year's budget	225,172	-	-	225,172
Unassigned	<u>6,042,734</u>	<u>-</u>	<u>-</u>	<u>6,042,734</u>
 Total fund balances	 <u>8,193,541</u>	 <u>180,538</u>	 <u>40,895</u>	 <u>8,414,974</u>
 Total liabilities				
and fund balances	<u>\$ 8,671,737</u>	<u>\$ 180,538</u>	<u>\$ 42,837</u>	<u>\$ 8,895,112</u>

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Differences in amounts reported for governmental activities in the statement of net assets on page 1:

Fund balances - total governmental funds	\$ 8,414,974
--	--------------

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

Certain revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	225,307
--	---------

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,481,153
---	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(570,740)</u>
--	------------------

	<u>\$17,550,694</u>
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(The accompanying notes are an integral part of these statements.)

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

	General Fund	SPLOST Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 5,429,045	\$ -	\$ 59,375	\$ 5,488,420
Licenses and permits	85,009	-	-	85,009
Charges for services	343,092	-	-	343,092
Intergovernmental	451,757	1,534,070	71,786	2,057,613
Fines, fees and forfeitures	724,163	-	3,543	727,706
Investment earnings	113,986	3,223	402	117,611
Other	254,036	-	5,531	259,567
Total revenues	<u>7,401,088</u>	<u>1,537,293</u>	<u>140,637</u>	<u>9,079,018</u>
EXPENDITURES:				
Current				
Judicial	408,313	-	-	408,313
General government	1,257,530	-	-	1,257,530
Public safety	3,109,413	-	27,061	3,136,474
Public works	1,216,388	10,115	-	1,226,503
Housing and development	90,647	-	-	90,647
Public welfare	29,078	-	-	29,078
Culture and recreation	541,407	-	-	541,407
Capital outlay	-	712,330	-	712,330
Debt service -				
Principal	-	108,805	-	108,805
Interest	-	23,882	-	23,882
Total expenditures	<u>6,652,776</u>	<u>855,132</u>	<u>27,061</u>	<u>7,534,969</u>
EXCESS OF REVENUES OVER EXPENDITURES	748,312	682,161	113,576	1,544,049
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	74,272	-	24,231	98,503
Transfers to other funds	(24,231)	(678,939)	(121,362)	(824,532)
NET CHANGE IN FUND BALANCE	798,353	3,222	16,445	818,020
FUND BALANCES:				
Beginning	7,395,188	177,316	24,450	7,596,954
Ending	<u>\$ 8,193,541</u>	<u>\$ 180,538</u>	<u>\$ 40,895</u>	<u>\$ 8,414,974</u>

(The accompanying notes are an integral part of these statements.)

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

Differences in amounts reported for governmental activities
in the statement of activities on page 2:

Net change in fund balances - total governmental funds	\$ 818,020
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Amounts reported for governmental activities in
the statement of activities are different
because:

Capital outlay reported as expenditures in the governmental funds are shown as capital assets in the statement of activities.	1,312,760
---	-----------

Depreciation expense on governmental capital assets are included in the statement of activities.	(518,548)
--	-----------

Loss on disposition of assets, not reported in the funds, is included in the statement of activities as a reduction to revenues.	(14,260)
--	----------

Long-term liabilities in the statement of net assets include an estimated liability for compensated absences. These are planned to be liquidated with future resources; therefore, the increase or decrease in the liability does not affect expenditures in the governmental funds.	(9,644)
--	---------

Repayment of long-term debt and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	108,805
---	---------

Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds.	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">(17,539)</div>
--	--

\$ 1,679,594

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
PROPRIETARY FUND - WATER AND SEWER FUND
BUSINESS-TYPE ACTIVITIES
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 5,437,520
Accounts receivable, net of allowance for uncollectibles of \$18,478	260,534
Due from other funds	1,942
Prepaid insurance	<u>35,782</u>
Total current assets	<u>5,735,778</u>

LONG-TERM ASSETS:

Restricted Assets -

Investments in money market account, restricted by bond covenants	1,730,754
Bond interest and sinking funds	<u>849,549</u>
	<u>2,580,303</u>

Capital Assets -

Land and other nondepreciable assets	2,715,377
Property, plant, and equipment	<u>18,898,267</u>
	21,613,644
Less accumulated depreciation	<u>5,661,519</u>
Net capital assets	<u>15,952,125</u>

Other Assets -

Unamortized bond issue costs	<u>647,147</u>
Total long-term assets	<u>19,179,575</u>
Total assets	<u>\$ 24,915,353</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Current maturities of bonds payable	\$ 235,000
Accounts payable	194,645
Due to other funds	1,737,106
Payroll withholdings and accruals	26,912
Accrued interest	111,060
Compensated absences payable	40,397
Customer deposits	<u>151,096</u>
Total current liabilities	<u>2,496,216</u>

LONG-TERM LIABILITIES, net of current portion shown above:

Bonds payable	<u>10,210,000</u>
Total long-term liabilities	<u>10,210,000</u>
Total liabilities	<u>12,706,216</u>

NET ASSETS:

Invested in capital assets, net of related debt	5,507,125
Unrestricted	<u>6,702,012</u>
	<u>12,209,137</u>
Total liabilities and net assets	<u>\$ 24,915,353</u>

CITY OF FORT OGLETHORPE, GEORGIA
PROPRIETARY FUND - WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

OPERATING REVENUES:

Water sales	\$ 1,082,069
Sewer charges	2,337,692
Water and sewer taps	21,000
Meter and reconnect fees	14,739
Federal financial assistance	242,168
Local government grants	41,380
Other	<u>81,157</u>

Total revenues	<u>3,820,205</u>
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OPERATING EXPENSES:

Depreciation and amortization	482,030
General operating expenses	<u>2,958,587</u>

Total expenses	<u>3,440,617</u>
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OPERATING INCOME

379,588

NONOPERATING REVENUE (EXPENSE):

Interest revenue	112,343
Interest expense	<u>(447,689)</u>

Income before transfers	44,242
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TRANSFERS:

Transfer from other funds	<u>726,029</u>
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CHANGE IN NET ASSETS

770,271

NET ASSETS:

Beginning	<u>11,438,866</u>
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Ending	<u>\$12,209,137</u>
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(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
PROPRIETARY FUND - WATER AND SEWER FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from user fees	\$ 3,447,357
Receipts from other governments	283,548
Payments to employees	(641,828)
Payments for goods and other services	(2,402,836)
Other receipts	<u>81,155</u>

Net cash provided by operating activities	<u>767,396</u>
---	----------------

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES:

Purchase of capital assets	(1,809,028)
Payments on long-term debt	(230,000)
Interest paid	<u>(448,839)</u>

Net cash used by capital and related financing activities	<u>(2,487,867)</u>
--	--------------------

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Loans from other fund	56,593
Payments on loans to other fund	<u>8,442</u>

Net cash provided by other financing activities	<u>65,035</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	<u>131,049</u>
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Net cash provided by investing activities	<u>131,049</u>
---	----------------

NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,524,387)
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CASH AND CASH EQUIVALENTS

Beginning	<u>9,542,210</u>
-----------	------------------

Ending	<u>\$ 8,017,823</u>
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RECONCILIATION OF OPERATING LOSS TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 379,588
Adjustments to reconcile operating income to net cash provided by operating activities -	
Depreciation and amortization	482,030
Net change in operating assets	(10,964)
Net change in operating liabilities	<u>(83,258)</u>

Net cash provided by operating activities	<u>\$ 767,396</u>
---	-------------------

RECONCILIATION OF CASH AND CASH EQUIVALENTS:

Cash and cash equivalents	\$ 5,437,520
Restricted cash and cash equivalents	<u>2,580,303</u>

	<u>\$ 8,017,823</u>
--	---------------------

SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL

AND RELATED FINANCING ACTIVITIES:

Capital assets acquired	\$ (2,535,057)
Transferred from capital projects funds	<u>726,029</u>

Cash paid for capital assets	<u>\$ (1,809,028)</u>
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(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
AGENCY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES
DECEMBER 31, 2011

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash and cash equivalents	\$ <u> -</u>	\$ <u>724,163</u>	\$ <u>724,163</u>	\$ <u> -</u>
LIABILITIES:				
Due to general fund	\$ <u> -</u>	\$ <u>724,163</u>	\$ <u>724,163</u>	\$ <u> -</u>

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2011

	Recreation Commission December 31, 2011	Downtown Development Authority (Unaudited) September 30, 2011	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 14,061	\$ 3,438	\$ 17,499
Total assets	<u>\$ 14,061</u>	<u>\$ 3,438</u>	<u>\$ 17,499</u>

LIABILITIES AND NET ASSETS

Net Assets:

Unrestricted	\$ 14,061	\$ 3,438	\$ 17,499
Total net assets	<u>14,061</u>	<u>3,438</u>	<u>17,499</u>
Total liabilities and net assets	<u>\$ 14,061</u>	<u>\$ 3,438</u>	<u>\$ 17,499</u>

(The accompanying notes are an integral part of these statements.)

**CITY OF FORT OGLETHORPE, GEORGIA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants and Contributions	Recreation Commission	Downtown Development Authority (Unaudited)	Total
Recreation Commission:						
Recreation Commission operations	\$ 12,992	\$ -	\$ 10,000	\$ (2,992)	\$ -	\$ (2,992)
Downtown Development Authority (unaudited):						
Downtown Development Authority operations	4,645	-	3,960	-	(685)	(685)
Total component units	<u>\$ 17,637</u>	<u>\$ -</u>	<u>\$ 13,960</u>	<u>(2,992)</u>	<u>(685)</u>	<u>(3,677)</u>
GENERAL REVENUES:						
				95	-	95
				95	-	95
				(2,897)	(685)	(3,582)
NET ASSETS:						
				16,958	4,123	21,081
				<u>\$ 14,061</u>	<u>\$ 3,438</u>	<u>\$ 17,499</u>

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization -

The City of Fort Oglethorpe, Georgia operates under the Council-City Manager form of government, in which the City is governed by a mayor and five council members, with day to day operations vested in the appointed city manager.

The accounting policies of the City conform to generally accepted accounting principles applicable to local governments. The more significant policies of the City are summarized below.

Reporting Entity -

The accompanying financial statements include all funds of the City of Fort Oglethorpe, Georgia (the primary government).

For purposes of these financial statements, management has considered the existence of any potential component units, using the criteria set forth by accounting principles generally accepted in the United States of America and by statements from the Governmental Accounting Standards Board.

Component units include organizations which are legally separate from the primary government. They are considered component units because their boards are appointed by the City or because there is a financial benefit/burden relationship with the City.

Component units are determined to be presented blended or discretely, based upon the services provided and the amount of accountability to the governing authority.

The City's financial statements include the unaudited financial statements (the only ones available) of The Downtown Development Authority of the City of Fort Oglethorpe, Georgia, which was established to develop the downtown area of the City. This discretely presented component unit operates as a special revenue fund.

The City's financial statements include the financial statements (the only ones available) of the Fort Oglethorpe Recreation Commission, which was established to support a citywide recreation program. This discretely presented component unit operates as a special revenue fund.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Reporting Entity (continued) -

The Housing Authority of the City of Fort Oglethorpe, Georgia is a legally separate entity not considered a component unit under the criteria referred to above, but a related organization. Although its board was originally appointed by the City governing authority, the City is not able to impose its will upon the Housing Authority, and a financial benefit/burden relationship does not exist between the two governmental entities.

Basis of Presentation -

In accordance with current accounting standards, the basic financial statements include government-wide, based on the City as a whole, and fund financial statements, with emphasis on major funds. Both the government-wide and fund statements categorize activities as either governmental or business-type. The government-wide statements of net assets and activities have eliminated internal balances and transfers between the activities of the governmental funds, which were presented separately in the fund financial statements. Transfers between governmental activities and business-type activities of the primary government are separately stated on the government-wide statement of net assets. Cash balances held by agency funds for governmental activities of the primary government are eliminated in the government-wide statement of net assets and in the fund financial statements.

The government-wide statement of activities reflects both the gross and net cost of functional categories which are otherwise supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues are those directly associated with the function and include revenues from fines and forfeitures, licenses and permit fees, and charges for services. Operating and capital grants and contributions are limited to the funding of a specific operating expense or capital acquisition.

At the fund level, major funds are presented separately while nonmajor funds are combined into a single column. Major funds are determined based on their percentage of assets, liabilities, revenues or expenditures compared to the total of the same for all governmental funds, and on their percentage of the same for the total of all governmental and proprietary funds, as applicable. The general fund and SPLOST capital projects funds are the only funds reported as major governmental funds. The major enterprise fund is the Water & Sewer Fund.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Accounting -

The government-wide financial statements, consisting of the statement of net assets and the statement of changes in net assets are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liability is incurred. The government-wide financial statements report information on all of the nonfiduciary activities of the City as a whole.

The fund-level financial statements of the governmental funds, consisting of the general fund, special revenue funds, debt service funds, and capital projects funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they are susceptible to accrual, which is defined as being both measurable, meaning that the amount of the transaction can be determined, and available, meaning collectible within the current period or soon enough thereafter (generally defined as within 60 days) to be used to pay liabilities of the current period. Those revenues susceptible to accrual are property and other taxes, federal and state grants, other state funds, interest income and charges for services. Expenditures are generally recognized when the liability is incurred. Exceptions to this general rule include accumulated unpaid vacation, sick pay and other employee amounts which are expected to be liquidated with future resources.

Since the governmental funds statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following the applicable fund statement which reconciles the adjustments necessary to convert the fund financial statements to the governmental activities column of the government-wide presentation.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Accounting (continued) -

All business-type activities, including the primary government proprietary fund, use the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when the liability is incurred. For its proprietary funds and business-type activities, the City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The City does not apply FASB pronouncements issued after November 30, 1989. Operating revenues of proprietary funds are those revenues that result from the activities of the fund, such as user fees and charges for services. All other revenue is considered nonoperating revenue and includes grants, investment earnings, and gain on the sale of capital assets. Likewise, operating expenses are those expenses related to the principal activity of the fund, including salaries and related costs, other services, operating supplies and depreciation. Nonoperating expenses include all other expenses not considered operating, such as interest expense.

Agency funds are custodial in nature, as they receive and disburse receipts for other funds and other entities. The City's agency fund is recorded using the economic resources measurement focus and the accrual basis of accounting.

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

Fund Accounting -

The accounts of the City are organized on the basis of funds, which are considered separate accounting entities. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Amounts reported in the fund financial statements as due to or due from other funds are eliminated upon preparation of the government-wide statement of net assets. The various funds are grouped into fund types as follows:

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Accounting (continued) -

Governmental Funds:

General Fund -

The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund, or those for which it is considered fiscally responsible to be accounted for in a separate fund.

Special Revenue Funds -

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted to expenditures for specified purposes.

Capital Projects Funds -

Capital projects funds are used to account for the acquisition and construction of major capital facilities not financed by proprietary or trust funds.

Proprietary Funds:

Enterprise Funds -

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprise and therefore funded primarily through user charges.

Fiduciary Funds:

Trust and Agency Funds -

Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Non-current governmental assets/liabilities:

Governmental activities capital assets and long-term debt are not presented in the fund level statements, but these records are maintained and incorporated into the governmental activities section of the government-wide financial statements.

The City maintains the following funds:

General fund

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Accounting (continued) -

Special revenue funds -

Confiscated Assets Fund, which accounts for revenues and expenditures associated with currency forfeitures and drug fines and restitution.

Law Enforcement Fund, which accounts for grants and other specific revenues, and related expenditures, associated with the operation of law enforcement.

Hotel/Motel Tax Fund, which accounts for tax revenues from hotels and motels located in the City.

Recreation Commission Fund (a discretely presented component unit), which accounts for revenues and expenditures associated with the recreational activities of the Commission.

Downtown Development Authority (a discretely presented component unit), which accounts for certain revenues and expenditures associated with development of the City's downtown area.

Capital projects funds -

SPLOST Capital Projects Fund, which accounts for the acquisition of assets with proceeds from the special local option sales tax.

CDBG Grant Fund, which accounts for acquisition of assets with proceeds from state or federal Community Development Block Grants.

Proprietary funds -

The Water and Sewer Fund is an enterprise fund, which accounts for the City's water and sewer operations.

Fiduciary funds -

Municipal Court Fund, an agency fund, which accounts for receipts and disbursements of the Clerk's office, primarily fines and forfeitures. This fund collects only for the City's general fund, which then disburses, as required, to other governmental entities. As there are no receipts for or disbursements to other entities, and no funds are held for other entities, no "Statement of Fiduciary Assets and Liabilities" is presented in these financial statements.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Equity -

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

Fund balance - Generally fund balance represents the difference between assets and liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

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

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

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

Assigned - Fund balances are reported as assigned when amounts are constrained by Board action to be used for specific purposes, but are neither restricted or committed.

Unassigned - Fund balances are reported as unassigned when the residual amount does not meet any of the above criteria. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

When both restricted and unrestricted amounts of fund balance are available for expenditure, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balances in the following order: committed, assigned, unassigned.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Equity (continued) -

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. Net assets are reported as restricted as described in the fund balances section above. All other net assets are reported as unrestricted.

Budget and budgetary control -

Although no budget to actual statements are presented in the basic financial statements, the City provides, for information purposes, its budget requirements and process. Annual revenue estimates and expenditure appropriations, on the modified accrual basis of accounting, are prepared for all governmental funds, with the exception of the capital projects funds, for which no annual appropriation is required and none is adopted. The projects accounted for in the capital projects funds are subject to budgetary control on a project basis. Providing budgetary information on an annual basis does not provide meaningful information because projects extend over more than one reporting period. A budget is not required for proprietary fund types. The City, however, adopts a budget on the accrual basis of accounting for its proprietary fund.

The budget is prepared by the City Manager and presented to the City Council for review and questions. A public hearing is held to obtain taxpayer comments, after which the budget is adopted by resolution.

Expenditures may not legally exceed budgeted appropriations at the department level. Budgetary integration is employed as a management tool during the fiscal year, and the budget is amended, as necessary, to meet changing needs. Management may transfer budgeted amounts between line items within a department; however, any revisions that alter the total expenditures of any department and/or fund must be approved by the City Council. All annual budgetary appropriations lapse at the end of the fiscal year. Public welfare in the general fund was over budget by approximately \$29,000.

Receivables -

Receivables are reported at the outstanding principal amount, and are recorded net of an allowance for amounts considered uncollectible.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Estimates -

The City uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were used.

Capital Assets -

For the fund financial statements, capital assets of governmental funds are recorded as expenditures at the time of purchase. For its proprietary funds and for governmental funds at the government-wide presentation, the City capitalizes long-lived assets with an original cost of \$5,000 or more. Such assets are recorded at cost.

For its proprietary funds and for its governmental funds at the government-wide presentation, depreciation of property and equipment is provided over periods of 3 to 40 years, based upon the estimated useful lives of the individual assets, by the straight-line method.

Public Domain Assets -

Public domain (infrastructure) assets, which include roads, streets, curbs, gutters, sidewalks, etc., are recorded in governmental funds as expenditures at the time of purchase. Under current accounting standards, governments are required to report public domain assets acquired after December 31, 2003 as capital assets. Because the City is a phase 3 government for implementation of GASB Statement No. 34, it is not required to report infrastructure acquired in years prior to December 31, 2003.

Property Taxes -

Property tax levies for the current year are based on \$6.495 per thousand of assessed valuation of property located in the City. Property is assessed by the Assessors of Property in Catoosa and Walker Counties. Property taxes are levied by the City and collected by the respective Counties, which remit to the City on a monthly basis. Property taxes are levied for a calendar year on October 20 and are delinquent after December 20 of each year. Property taxes attach as an enforceable lien on property as of the levy date.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Notes payable -

Notes payable reported in governmental funds are expected to be liquidated with future, expendable, available resources.

Encumbrances -

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

Discounts/premiums/issuance costs -

In governmental funds, at the fund-level presentation, these types of transactions are recognized as revenue when received or as expenditures in the period in which incurred.

In proprietary funds, and at the government-wide presentation for governmental activities, these types of transactions are deferred and amortized over the benefit or payment period.

Cash equivalents -

For purposes of these financial statements, the City considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments -

The City is restricted to investments of cash and certificates of deposit with financial institutions and in the State of Georgia Local Government Investment Pool.

Restricted Assets -

Certain assets of the proprietary fund are classified as restricted because their use is limited by applicable bond covenants. These restricted assets consist of cash and cash equivalents.

Prepaid expenses -

Prepaid expenses consist of certain payments which reflect costs applicable to future periods. In governmental funds, these types of costs are recorded as expenditures during the term of the benefit period, rather than when paid.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Compensated Absences -

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave; however, accumulated sick pay is not paid. The liability for compensated absences of the governmental funds is recorded in the government-wide financial statements. None of the liability is recorded in the governmental funds, because any payments, even those which would be paid in the next twelve months, if susceptible to a reasonable estimate, are expected to be liquidated with future resources. The liability for compensated absences of the proprietary fund is recorded as a liability of that fund.

(2) CASH AND INVESTMENTS:

The City reports its cash and other investments under GASB Statement Number 40, "Deposit and Investment Risk Disclosures." This statement eliminated or modified portions of the disclosures previously required by GASB Statement Number 3. GASB Statement Number 40 is designed to improve financial reporting of deposit and investment risks.

At December 31, 2011, the primary government's cash and investments consist of the following -

	Weighted Average Maturity (Years)	Fair Value
Savings and money market accounts	<u>0.00</u>	<u>\$13,159,560</u>

Interest Rate Risk - As a means of limiting its exposure to losses resulting from rising interest rates, the City's usual policy is to invest in certificates of three years or less. The exposure to interest rate changes is presented using the weighted average maturity method. Its policy is to limit exposure to interest rate risk by requiring sufficient liquidity in the investment portfolio. The City's investments experienced no significant fluctuations in fair value during the year.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(2) CASH AND INVESTMENTS (Continued):

Custodial Credit Risk - The City's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by federal deposit insurance, by collateral held by the City's agent in the City's name, or by Federal Reserve Banks acting as third party agents. State statutes also authorize the types of investments in which the City may participate. The City limits its investments to certificates of deposit and savings and money market accounts with local banks and Georgia Fund 1, a combined state and local government investment pool (in which the City had no funds at December 31, 2011).

Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool that follows Standard & Poors criteria for AAA rated money market funds. The State of Georgia Office of Treasury and Fiscal Services is the oversight agency for the Fund, which is operated in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940, and is considered to be a 2a-7-like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity, and diversification while maintaining principal. Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share.

Credit Risk - The City's policies are designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(3) INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS:

Most interfund receivable and payable balances are attributable to unsettled balances for charges between funds, and are expected to be paid within one year. The interfund payable of \$1,737,106 for the water and sewer fund includes \$6,351 which results from the general fund paying expenses on behalf of the water and sewer fund. The interfund payable of \$1,942 for the CDBG grant fund results from the water and sewer fund paying expenses for the CDBG fund. It is anticipated that these balances will be settled in the next fiscal year.

The remaining interfund payable of \$1,730,755 for the water and sewer fund is relative to a loan from the general fund to enable the water and sewer fund to set aside restricted funds to comply with a debt service requirement. No specific repayment schedule has been established, but the loan is expected to be paid over a several year period.

Interfund receivables and payables at December 31, 2011, are as follows -

	<u>Receivables</u>	<u>Payables</u>
General fund	\$ 1,737,106	\$ -
CDBG	-	1,942
Water and sewer fund	<u>1,942</u>	<u>1,737,106</u>
	<u>\$ 1,739,048</u>	<u>\$ 1,739,048</u>

The purpose of transfers are to allocate revenues from the fund that collects them to the fund that expends the resources based on the budgetary operations of the City.

Transfers for the year ended December 31, 2011, were as follows -

From hotel/motel tax fund to general fund	\$ 59,375
From law enforcement fund to general fund	\$ 14,897
From general fund to law enforcement fund	\$ 24,231
From SPLOST Capital projects fund to water and sewer fund	\$ 678,939
From CDBG Capital projects fund to water and sewer fund	\$ 47,090

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(4) CAPITAL ASSETS:

Governmental activities

A summary of changes in capital assets and accumulated depreciation for governmental activities is as follows -

	<u>Beginning</u>	<u>Additions and Adjustments</u>	<u>Dispositions and Adjustments</u>	<u>Ending</u>
Nondepreciable capital assets -				
Land	\$ 853,768	\$ 176,500	\$ -	\$ 1,030,268
Construction in progress	<u>267,395</u>	<u>1,028,619</u>	<u>(816,796)</u>	<u>479,218</u>
	<u>\$ 1,121,163</u>	<u>\$ 1,205,119</u>	<u>\$ (816,796)</u>	<u>\$ 1,509,486</u>
Depreciable capital assets -				
Public improvements	\$ 2,641,908	\$ -	\$ 1,363,121	\$ 4,005,029
Buildings	6,431,868	45,328	(608,236)	5,868,960
Equipment, vehicles, furniture and fixtures	<u>3,911,105</u>	<u>62,313</u>	<u>(1,566)</u>	<u>3,971,852</u>
	<u>12,984,881</u>	<u>107,641</u>	<u>753,319</u>	<u>13,845,841</u>
Less accumulated depreciation -				
Public improvements	596,193	100,786	-	696,979
Buildings	1,849,159	151,606	-	2,000,765
Equipment, vehicles, furniture and fixtures	<u>2,959,491</u>	<u>266,156</u>	<u>(49,217)</u>	<u>3,176,430</u>
	<u>5,404,843</u>	<u>518,548</u>	<u>(49,217)</u>	<u>5,874,174</u>
Depreciable capital assets, net	<u>\$ 7,580,038</u>	<u>\$ (410,907)</u>	<u>\$ 802,536</u>	<u>\$ 7,971,667</u>

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(4) CAPITAL ASSETS (Continued):

Depreciation charged to expense totaled \$518,548, and is charged to functions as follows -

General government	\$ 195,514
Judicial	15
Public safety	183,645
Public works	56,754
Culture and recreation	<u>82,620</u>
Total	<u>\$ 518,548</u>

Business-type activities

Capital assets of the proprietary fund are recorded at cost, including capitalized interest incurred during the construction phase, as applicable. Depreciation is provided on the cost of individual items of property by the straight-line method, over the estimated useful lives of 3 to 10 years for furniture, equipment and vehicles; 10 to 40 years for buildings and plants; and 20 to 40 years for transmission lines. Depreciation charged to expense totaled \$457,912.

A summary of proprietary fund changes in capital assets and accumulated depreciation is as follows -

	<u>Beginning</u>	<u>Additions and Adjustments</u>	<u>Dispositions and Adjustments</u>	<u>Ending</u>
Nondepreciable capital assets -				
Land	\$ 89,156	\$ -	\$ -	\$ 89,156
Construction in progress	<u>2,077,618</u>	<u>2,535,057</u>	<u>(1,986,454)</u>	<u>2,626,221</u>
	<u>\$ 2,166,774</u>	<u>\$ 2,535,057</u>	<u>\$ (1,986,454)</u>	<u>\$ 2,715,377</u>
Depreciable capital assets -				
Buildings	\$ 102,270	\$ -	\$ -	\$ 102,270
Water/sewer system	15,932,527	1,986,454	-	17,918,981
Equipment and vehicles	<u>877,016</u>	<u>-</u>	<u>-</u>	<u>877,016</u>
	<u>16,911,813</u>	<u>1,986,454</u>	<u>-</u>	<u>18,898,267</u>
Less accumulated depreciation -				
Buildings	50,026	3,201	-	53,227
Water/sewer system	4,386,680	417,031	-	4,803,711
Equipment and vehicles	<u>766,901</u>	<u>37,680</u>	<u>-</u>	<u>804,581</u>
	<u>5,203,607</u>	<u>457,912</u>	<u>-</u>	<u>5,661,519</u>
Depreciable capital assets, net	<u>\$11,708,206</u>	<u>\$ 1,528,542</u>	<u>\$ -</u>	<u>\$13,236,748</u>

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(5) LONG-TERM DEBT:

Governmental activities

Debt for governmental activities reported in the government-wide statement of net assets represents amounts not expected to be paid with expendable, available resources, and consists of the following -

Capital lease obligations recorded in the government-wide statement of net assets consist of the following -

Lease financed with Federal Signal Leasing, for acquisition of a fire truck in the amount of \$459,846 under a lease purchase agreement, payable in yearly payments of \$58,975 including interest at 4.8%, through 2018	\$ 343,739
Lease financed with Regions Equipment Finance Corporation, for acquisition of police vehicles in the amount of \$278,637 under a lease purchase agreement, payable in yearly payments of \$73,712 including interest at 3.9%, through 2012	<u>70,941</u>
	<u>\$ 414,680</u>

Maturities of lease obligations are as follows -

	<u>Gross Payments</u>	<u>Imputed Interest</u>	<u>Net Present Value</u>
For the year ending			
December 31, 2012	\$ 132,687	\$ 19,271	\$ 113,416
2013	58,975	14,461	44,514
2014	58,975	12,324	46,651
2015	58,975	10,085	48,890
2016	58,975	7,738	51,237
2017-2018	<u>117,951</u>	<u>7,980</u>	<u>109,972</u>
	<u>\$ 486,538</u>	<u>\$ 71,859</u>	<u>\$ 414,680</u>

The gross amount of governmental activities assets recorded under existing capital leases in the government-wide statement of net assets is \$738,483 for an equipment lease. Accumulated depreciation of assets acquired under capital leases is recorded at \$224,566.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(5) LONG-TERM DEBT (Continued):

Governmental activities (continued)

A summary of changes in long-term debt for governmental activities is as follows -

	<u>Beginning Balance</u>	<u>Adjustments and Additions</u>	<u>Adjustments and Retirements</u>	<u>Ending Balance</u>
Capital lease obligations	\$ 523,486	\$ -	\$ (108,806)	\$ 414,680
Compensated absences	<u>146,416</u>	<u>9,644</u>	<u>-</u>	<u>156,060</u>
	<u>\$ 669,902</u>	<u>\$ 9,644</u>	<u>\$ (108,806)</u>	<u>\$ 570,740</u>

Presentation of long-term debt of governmental activities in the government-wide statement of net assets is as follows -

Due within one year -

Capital lease obligations	\$ 113,416
Compensated absences	<u>156,060</u>

269,476

Due in more than one year

301,264

\$ 570,740

The resources of the general fund have been used in prior years to liquidate the balance of the compensated absences relative to governmental activities.

Business-type activities

In the proprietary fund financial statements, long-term debt and other long-term obligations relative to proprietary activities are reported as liabilities of the entity. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(5) LONG-TERM DEBT (Continued):

Business-type activities (continued)

Bonds payable of the water and sewer fund consist of the following -

Series 2009 Water and Sewer Revenue Refunding and improvement bonds, total original borrowings \$11,000,000, to provide for refinancing of a portion of the 1998 Water and Sewer bonds, interest not to exceed 6%, payable semi-annually in varying amounts through October, 2038 \$10,445,000

Maturities of proprietary fund bonds payable are as follows -

	<u>Gross</u>		
	<u>Payments</u>	<u>Interest</u>	<u>Principal</u>
For the year ending:			
December 31, 2012	\$ 679,239	\$ 444,239	\$ 235,000
2013	679,539	439,539	240,000
2014	679,739	434,739	245,000
2015	678,614	428,614	250,000
2016	676,114	421,114	255,000
2017-2021	3,389,681	1,964,681	1,425,000
2022-2026	3,388,441	1,658,441	1,730,000
2027-2031	3,388,038	1,258,038	2,130,000
2032-2036	3,390,375	715,375	2,675,000
2037-2038	1,355,250	95,250	1,260,000
	<u>\$18,305,030</u>	<u>\$7,860,030</u>	<u>\$10,445,000</u>

A summary of changes in long-term debt for business-type activities is as follows -

	<u>Beginning</u>	<u>Adjustments</u>	<u>Adjustments</u>	<u>Ending</u>
	<u>Balance</u>	<u>and</u>	<u>and</u>	<u>Balance</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Revenue bonds	<u>\$10,675,000</u>	<u>\$ -</u>	<u>\$ (230,000)</u>	<u>\$10,445,000</u>

Presentation of long-term debt of business-type activities in the government-wide statement of net assets is as follows for the revenue bonds -

Due within one year	\$ 235,000
Due within more than one year	<u>10,210,000</u>
	<u>\$10,445,000</u>

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(6) OPERATING LEASES:

The City leases equipment under operating leases expiring May 25, 2013, March 15, 2014, and May 15, 2017 at various amounts totaling \$500 per month. Minimum obligations relative to these leases are as follows -

For the year ending December 31, 2012	\$ 4,468
2013	5,358
2014	4,009
2015	3,717
2016	3,717
2017	<u>1,549</u>
	<u>\$ 22,817</u>

Rent expense relative to the above leases was \$8,243 for the year ended December 31, 2011.

(7) PENSION PLAN:

DEFINED BENEFIT PLAN:

Plan Description -

Employees of the City of Fort Oglethorpe, Georgia, are members of the Georgia Municipal Employees Benefit System (GMEBS), an agent, multiple-employer, defined benefit, public employee retirement system that acts as a common investment and administrative agent for cities. GMEBS provides retirement benefits as well as death and disability benefits. All full-time City employees are eligible to participate in the system after one year of continuous service. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 65 with five years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system become vested after five years of service. Benefit provisions are established in state statute and city ordinance. Political subdivisions such as the City of Fort Oglethorpe participate in the GMEBS as individual entities and are liable for all costs associated with the operation and administration of their plan.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(7) PENSION PLAN (Continued):

DEFINED BENEFIT PLAN (Continued):

Plan Description (continued) -

The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, GA 30303.

Funding Policy and Annual Contributions -

The funding policy for the plan is to contribute an amount equal to the recommended contribution by the plan each year. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in current accounting standards, and estimated minimum annual contributions under Public Retirement Systems Standard law (Georgia Code Section 47-20-10). These contributions are determined under the projected unit credit actuarial cost method, and the asset valuation method for developing the actuarial value of assets by rolling forward prior years actuarial value with contributions, disbursements, and expected return on investments, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

The City of Fort Oglethorpe requires no employee contributions, and the employer contribution is based on an actuarially determined rate established annually by GMEBS. The required contribution amount for the year ended December 31, 2011 was \$298,097, based on 10.72% of estimated, annual covered payroll. The actual contribution was \$298,097.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(7) PENSION PLAN (Continued):

DEFINED BENEFIT PLAN (Continued):

Significant Actuarial Assumptions -

The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

The GMEBS has changed the reporting period for actuarial valuations from January 1 to July 1; therefore, the most recent actuarial valuation is July 1, 2011. The significant actuarial assumptions used in this valuation are as follows -

Rate of return on investments	7.75% per year
Projected salary increases	3.50% per year
Cost of living adjustment	0.0% per year
Inflation rate assumption	0.0% per year
Post retirement benefit increases	Not applicable

Trend Information -

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2011	\$298,097	100.00%	\$ -
12/31/2010	\$340,109	100.00%	\$ -
12/31/2009	\$307,472	90.40%	\$ 32,637

Schedule of Funding Progress -
(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
7/1/2011	\$4,333	\$5,051	\$ 718	85.78%	\$2,698	26.61%
7/1/2010	\$3,972	\$4,721	\$ 749	84.14%	\$2,733	27.41%
1/1/2009	\$2,929	\$4,250	\$1,321	68.91%	\$2,548	51.84%

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(7) PENSION PLAN (Continued):

DEFINED CONTRIBUTION PLAN:

Plan Description -

During the year, the City implemented a defined contribution plan through the Georgia Municipal Employees Benefit System (GMEBS) covering all full-time employees with at least one year of service. The plan is a 457(b) plan for the contributions of all eligible employees combined with a 401(a) plan that allows the City to match contributions on behalf of the employees. Employees may elect to contribute a percentage of their salary up to the limits set forth by the Internal Revenue Service. The City then matches those contributions 100% up to 4%. In addition, employees become 100% vested after 5 years of service. Employer and employee contributions during the year ended December 31, 2011 were approximately \$6,666 and \$7,130, respectively.

(8) RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees. The City's policy is to purchase commercial insurance for its risk related to the above losses. The risks covered by commercial insurance include general liability, errors and omissions, and property and casualty losses, with a minor deductible payable by the City. Settled claims have not exceeded coverage for the three years ended December 31, 2011, 2010, and 2009. Deductibles for which the City was responsible amounted to \$4,260, \$1,021, and \$9,000, for the same three years, respectively.

The City also manages its risk of loss related to injuries to employees through the purchase of commercial workers' compensation insurance. Payment of eligible claims is based on statutory requirements, and the City has no deductible in connection with claims paid.

(9) LITIGATION:

The City is currently the defendant in certain legal actions which are being vigorously defended. It is the opinion of management and legal counsel that these proceedings will not have a material effect on the financial position of the City.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(10) COMMITMENTS:

At December 31, 2011, the City has construction commitments in the amount of \$2,668,306, with \$294,011 unpaid on these contracts.

(11) HOTEL/MOTEL LODGING TAX:

The City of Fort Oglethorpe, Georgia, levies a 6% lodging tax, of which 3% is required to be spent for tourism and development, as authorized in Georgia code OCGA 48-13-51. A summary of the transactions for the year ended December 31, 2011, is as follows:

Lodging tax - 6%	\$ 59,375
Disbursements for tourism and development	\$ 29,078

(12) JOINT VENTURE:

Under Georgia law, the City, in conjunction with other cities and counties in the eleven City northwest Georgia area, is a member of the Northwest Regional Commission and is required to pay annual dues thereto. During the year ended December 31, 2011, the City paid \$9,868 in such dues. Membership in a regional commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34. Each regional commission board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of its applicable regional commission. Separate financial statements may be obtained from -

Northwest Regional Commission
P.O. Box 1793
Rome, Georgia 30162-1793

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

(13) SUBSEQUENT EVENTS:

Management has evaluated subsequent events through June 28, 2012, the date which this financial statement was available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

CITY OF FORT OGLETHORPE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget			Variance with Final Budget
	Original	Final	Actual	
TAXES:				
Property taxes	\$1,351,875	\$1,351,875	\$1,429,377	\$ 77,502
Motor vehicle tax	79,000	79,000	86,179	7,179
Business and occupation tax	699,000	699,000	851,728	152,728
General sales and use tax	1,696,000	1,696,000	1,922,818	226,818
Franchise tax	794,482	794,482	903,938	109,456
Real estate transfer tax	5,000	5,000	4,888	(112)
Intangible tax	15,000	15,000	16,410	1,410
Alcoholic beverage tax	144,000	144,000	194,060	50,060
Other taxes	12,000	12,000	19,647	7,647
Total taxes	4,796,357	4,796,357	5,429,045	632,688
LICENSES AND PERMITS:				
Alcoholic beverage license	39,500	39,500	40,100	600
Other licenses and permits	89,320	89,320	44,909	(44,411)
Total licenses and permits	128,820	128,820	85,009	(43,811)
INTERGOVERNMENTAL:				
Road and bridge projects	-	-	6,323	6,323
Tornado relief	-	-	12,416	12,416
Federal financial assistance	300,800	422,500	423,372	872
Federal government in lieu of taxes	9,829	9,829	9,646	(183)
Total intergovernmental	310,629	432,329	451,757	19,428
CHARGES FOR SERVICES:				
Public safety	3,600	178,600	220,981	42,381
Background checks	2,800	2,800	3,800	1,000
Culture and recreation	101,675	101,675	118,024	16,349
Other services	190	190	287	97
Total charges for services	108,265	283,265	343,092	59,827
FINES AND FORFEITURES:				
Police and courts	670,000	670,000	724,163	54,163
Total fines and forfeitures	670,000	670,000	724,163	54,163

CITY OF FORT OGLETHORPE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget			Variance with Final Budget
	Original	Final	Actual	
MISCELLANEOUS:				
Investment Income	\$ 75,000	\$ 75,000	\$ 113,986	\$ 38,986
Property rental	66,557	125,730	139,154	13,424
Insurance recovery	-	-	25,447	25,447
Donations	-	34,490	60,490	26,000
Other	10,650	10,650	28,945	18,295
Total miscellaneous	152,207	245,870	368,022	122,152
 Total revenues	 6,166,278	 6,556,641	 7,401,088	 844,447
EXPENDITURES:				
Judicial -				
Municipal Court	408,260	416,675	408,313	8,362
Total judicial	408,260	416,675	408,313	8,362
 General Government -				
Legislative	113,890	113,890	103,854	10,036
Executive	533,203	604,545	533,550	70,995
Administration	363,277	373,171	335,735	37,436
General government buildings	436,766	434,539	284,391	150,148
Total general government	1,447,136	1,526,145	1,257,530	268,615
 Public Safety -				
Police	2,046,811	2,072,972	2,033,614	39,358
Fire	972,157	1,085,243	1,075,799	9,444
Total public safety	3,018,968	3,158,215	3,109,413	48,802
 Public works -				
Public works administration	99,860	103,661	100,714	2,947
Highways and streets	493,907	495,635	477,850	17,785
Traffic engineering	131,907	132,456	89,746	42,710
Solid waste collection	477,670	478,238	485,606	(7,368)
Maintenance and shop	64,377	64,821	62,472	2,349
Total public works	1,267,721	1,274,811	1,216,388	58,423

CITY OF FORT OGLETHORPE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Culture and Recreation -				
Parks administration	\$ 76,213	\$ 76,549	\$ 72,111	\$ 4,438
Parks operation	231,838	387,368	347,255	40,113
Swimming pools	127,356	127,719	114,158	13,561
Senior center	9,950	9,950	7,883	2,067
Total culture and recreation	<u>445,357</u>	<u>601,586</u>	<u>541,407</u>	<u>60,179</u>
Public welfare -				
Tourism	<u>-</u>	<u>-</u>	<u>29,078</u>	<u>(29,078)</u>
Total public welfare	<u>-</u>	<u>-</u>	<u>29,078</u>	<u>(29,078)</u>
Housing and development -				
Protective inspection	<u>188,665</u>	<u>189,038</u>	<u>90,647</u>	<u>98,391</u>
Total housing and development	<u>188,665</u>	<u>189,038</u>	<u>90,647</u>	<u>98,391</u>
Total expenditures	<u>6,776,107</u>	<u>7,166,470</u>	<u>6,652,776</u>	<u>513,694</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(609,829)</u>	<u>(609,829)</u>	<u>748,312</u>	<u>1,358,141</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	60,000	60,000	74,272	14,272
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(24,231)</u>	<u>(24,231)</u>
	<u>60,000</u>	<u>60,000</u>	<u>50,041</u>	<u>(9,959)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(549,829)</u>	<u>(549,829)</u>	<u>798,353</u>	<u>1,348,182</u>
FUND BALANCES:				
Beginning	<u>7,395,188</u>	<u>7,395,188</u>	<u>7,395,188</u>	<u>-</u>
Ending	<u>\$6,845,359</u>	<u>\$6,845,359</u>	<u>\$8,193,541</u>	<u>\$ 1,348,182</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

The budget is prepared on the same basis as the expenditures are presented, therefore no reconciliation between the budget basis and the basis under generally accepted accounting principles is required.

OTHER SUPPLEMENTARY INFORMATION

**COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF FORT OGLETHORPE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2011**

	<u>Special Revenue</u>				<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Confiscated Assets</u>	<u>Law Enforcement</u>	<u>Hotel/ Motel Tax</u>	<u>Total</u>	<u>CDBG Grant</u>	
ASSETS:						
Cash and cash equivalents	\$ 31,095	\$ -	\$ -	\$ 31,095	\$ 500	\$ 31,595
Other receivables	<u>-</u>	<u>9,300</u>	<u>-</u>	<u>9,300</u>	<u>1,942</u>	<u>11,242</u>
 Total assets	<u>\$ 31,095</u>	<u>\$ 9,300</u>	<u>\$ -</u>	<u>\$ 40,395</u>	<u>\$ 2,442</u>	<u>\$ 42,837</u>
 LIABILITIES AND FUND BALANCES:						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 1,942	\$ 1,942
 Fund balances:						
Unreserved, designated for specific purposes	<u>31,095</u>	<u>9,300</u>	<u>-</u>	<u>40,395</u>	<u>500</u>	<u>40,895</u>
 Total fund balances	<u>31,095</u>	<u>9,300</u>	<u>-</u>	<u>40,395</u>	<u>500</u>	<u>40,895</u>
 Total liabilities and fund balances	<u>\$ 31,095</u>	<u>\$ 9,300</u>	<u>\$ -</u>	<u>\$ 40,395</u>	<u>\$ 2,442</u>	<u>\$ 42,837</u>

CITY OF FORT OGLETHORPE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Special Revenue</u>				<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Confiscated Assets</u>	<u>Law Enforcement</u>	<u>Hotel/Motel Tax</u>	<u>Total</u>	<u>CDBG Grant</u>	
REVENUES:						
Taxes	\$ -	\$ -	\$ 59,375	\$ 59,375	\$ -	\$ 59,375
Intergovernmental	-	24,196	-	24,196	47,590	71,786
Fines, fees and forfeitures	3,543	-	-	3,543	-	3,543
Interest	399	3	-	402	-	402
Other	5,531	-	-	5,531	-	5,531
Total revenues	9,473	24,199	59,375	93,047	47,590	140,637
EXPENDITURES:						
Current -						
Public safety	1,781	25,280	-	27,061	-	27,061
Total expenditures	1,781	25,280	-	27,061	-	27,061
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,692	(1,081)	59,375	65,986	47,590	113,576
OTHER FINANCING SOURCES (USES):						
Transfer from other funds	-	24,231	-	24,231	-	24,231
Transfer to other funds	-	(14,897)	(59,375)	(74,272)	(47,090)	(121,362)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	7,692	8,253	-	15,945	500	16,445
FUND BALANCES:						
Beginning	23,403	1,047	-	24,450	-	24,450
Ending	\$ 31,095	\$ 9,300	\$ -	\$ 40,395	\$ 500	\$ 40,895

FINANCIAL SCHEDULES

CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>Total</u>
TAXES RECEIVABLE,					
Beginning	\$ -	\$ 234,301	\$ 55,495	\$ 16,049	\$ 305,845
TAX LEVY	1,413,095	-	-	-	1,413,095
ADJUSTMENTS:					
Releases, net of pickups	(12,616)	(523)	(270)	(11,166)	(24,575)
COLLECTIONS	<u>(1,183,321)</u>	<u>(179,941)</u>	<u>(38,697)</u>	<u>(4,100)</u>	<u>(1,406,059)</u>
TAXES RECEIVABLE,					
Ending	<u>217,158</u>	<u>53,837</u>	<u>16,528</u>	<u>783</u>	<u>288,306</u>
Less allowance for uncollectible taxes	<u>(2,406)</u>	<u>(449)</u>	<u>(146)</u>	<u>(783)</u>	<u>(3,784)</u>
TAXES RECEIVABLE,					
Net	<u>\$ 214,752</u>	<u>\$ 53,388</u>	<u>\$ 16,382</u>	<u>\$ -</u>	<u>\$ 284,522</u>

CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF WATER AND SEWER RATES
DECEMBER 31, 2011

The water and sewer rates for the City of Fort Oglethorpe, Georgia at December 31, 2011, are as follows -

	<u>Water Rates</u>	<u>Sewer Rates</u>
Residential:		
First 2,000 gallons	\$11.74/minimum	\$12.71/minimum
All over 2,000 gallons	\$3.02/1,000 gallons	\$3.27/1,000 gallons
Commercial:		
First 2,000 gallons	\$15.53/minimum	\$16.35/minimum
All over 2,000 gallons	\$5.95/1,000 gallons	\$6.35/1,000 gallons

As of December 31, 2011, the City had approximately 2,700 water and sewer customers.

INTERNAL CONTROL AND COMPLIANCE SECTION

CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract or Pass-Through Number	Beginning Accrued (Deferred)	Cash Receipts (Refunds)	Expenditures	Ending Accrued (Deferred)
National Highway Traffic						
Safety Administration:						
Pass-through from Governor's Office of Highway Safety - State and Community						
Highway Safety	20.600	TEN-2011-0243-00-C	\$ -	\$ 14,897	\$ 14,897	\$ -
	20.600	TEN-2012-216-00276	-	-	9,300	9,300
Total Highway Safety Administration			-	14,897	24,197	9,300
U.S. Department of Justice:						
Justice Assistance Grant						
Byrne Vest Program	16.580	Unavailable	-	1,650	1,650	-
Total Department of Justice			-	1,650	1,650	-
U.S. Department of Transportation:						
Pass-through from Georgia Department of Transportation - Highway Planning and Construction						
	20.205	TEE-008-00(085)	-	198,666	300,000	101,334
Pass-through from Georgia Department of Natural Resources - Recreational Trails Program						
	20.219	NRT-07(11)	-	121,722	121,722	-
Total Department of Transportation			-	320,388	421,722	101,334
U.S. Department of Housing & Urban Development -						
Pass-through from Georgia Department of Community Affairs - Community Development Block Grant						
	14.228		-	500	500	-
Total Housing & Urban Development			-	500	500	-
Appalachian Regional Commission:						
Appalachian Area Development Project						
	11.300	GA-16695	-	242,168	242,168	-
Total Appalachian Regional Commission			-	242,168	242,168	-
Total Federal Awards			<u>\$ -</u>	<u>\$ 579,603</u>	<u>\$ 690,237</u>	<u>\$ 110,634</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.



**INDEPENDENT AUDITORS' 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 City Council
City of Fort Oglethorpe, Georgia:**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units (except for the financial statements of the Downtown Development Authority, which have not been audited), each major fund, and the aggregate remaining fund information of the City of Fort Oglethorpe, Georgia as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2012. The report on the City of Fort Oglethorpe's financial statements was qualified because the financial statements of the Downtown Development Authority have not been audited, and we were not engaged to audit their financial statements as part of the audit of the City's basic financial statements. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

Johnson, Nicky & Menckson, P.C.

June 28, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**To the Mayor and City Council
City of Fort Oglethorpe, Georgia:**

Compliance

We have audited the City of Fort Oglethorpe, Georgia's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Fort Oglethorpe, Georgia's major federal programs for the year ended December 31, 2011. The City of Fort Oglethorpe, Georgia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, City of Fort Oglethorpe, Georgia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The management of City of Fort Oglethorpe, Georgia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Johnson, Niskey & Menckem, P.C.

June 28, 2012

**CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

SUMMARY OF AUDIT RESULTS:

The auditors' report expresses a qualified opinion on the financial statements of the City of Fort Oglethorpe, Georgia.

No significant deficiencies or material weaknesses were reported.

No instances of noncompliance material to the financial statements were reported.

No significant deficiencies or material weaknesses over the major programs were reported.

The auditor's report on compliance with the material compliance requirements of the major federal award programs expressed an unqualified opinion.

The programs tested as major programs were:

CFDA #20.219 Recreational Trails Program
CFDA #20.205 Highway Planning and Construction

The threshold for distinguishing Types A and B programs was \$300,000.

The City of Fort Oglethorpe, Georgia was determined to be a high-risk auditee.

**FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED
GOVERNMENT AUDITING STANDARDS**

None reported

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None reported

**SPECIAL LOCAL OPTION
SALES TAX**



INDEPENDENT AUDITORS' REPORT ON SPECIAL 1 PERCENT SALES AND USE TAX

**To the Mayor and City Council
City of Fort Oglethorpe, Georgia:**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of Fort Oglethorpe, Georgia for the year ended December 31, 2011, and have issued our report thereon dated June 28, 2012. We have also audited the accompanying schedule of the City's projects constructed with special local option sales tax funds, for the year ended December 31, 2011. This schedule is the responsibility of the management of the City. Our responsibility is to express an opinion on the schedule based on our audit.

Specific projects allowed to be expended with Catoosa County funds have been identified in resolutions dated April 7, 2003, and June 17, 2008, which approved the intergovernmental agreements allowing the imposition of the special sales and use tax authorized by Section 48-8-110 OCGA. Specific projects allowed to be expended with Walker County funds have been identified in intergovernmental agreements dated January 1, 1998, December 31, 2003, and October 1, 2008 which approved the imposition of the special sales and use tax authorized by Section 48-8-110 OCGA.

We conducted our audit of the schedule in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of the City's projects constructed with special local option sales tax funds are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of the City's projects constructed with special local option sales tax funds, as referred to above, presents fairly, in all material respects, the amounts of projects constructed with proceeds from the City's allocation of special local option sales tax for the year ended December 31, 2011, on the modified accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Mayor, City Council, management, others within the organization, and state regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Hickey & Murchison, P.C.

June 28, 2012

**CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

PROJECT	ORIGINAL	REALLOCATIONS	REVISED	EXPENDITURES			PERCENTAGE
	ESTIMATED COST		ESTIMATED COST	PRIOR YEARS	CURRENT YEAR	TOTAL	OF COMPLETION
Catoosa County Special							
Local Option Sales Tax -							
2004 Cycle							
Sewer projects	\$ 4,535,177	\$ (334,278)	\$ 4,200,899	\$ 4,200,899	\$ -	\$ 4,200,899	100%
Street, parking lot, and sidewalk projects	565,843	597,123	1,162,966	1,162,966	-	1,162,966	100%
Public safety vehicles	359,980	385,681	745,661	745,661	-	745,661	100%
2009 Cycle							
Debt reduction for sewer bonds	3,395,245	-	3,395,245	622,406	678,939	1,301,345	38%
Lease payments on public safety vehicles	516,011	-	516,011	73,712	132,687	206,399	40%
Streets and trails	700,000	-	700,000	25,848	568,692	594,540	85%
Building renovations and improvements	2,000,000	-	2,000,000	-	100,440	100,440	5%
GIS and IT projects	350,000	-	350,000	-	19,813	19,813	6%
Vehicles and equipment	150,744	-	150,744	17,188	33,500	50,688	34%
Walker County Special							
Local Option Sales Tax -							
1998 Cycle							
Bike/pedestrian trail	97,500	(9,167)	88,333	28,005	-	28,005	32%
2003 Cycle							
Street, bridge, and sidewalk improvements, capital equipment, and other capital projects	107,250	(33,830)	73,420	-	-	-	0%
Sewer equipment	-	33,830	33,830	33,830	-	33,830	100%
2008 Cycle							
Street, bridge, and sidewalk improvements, capital equipment, and other capital projects	148,500	(20,748)	127,752	65,018	-	65,018	51%
Public safety equipment	-	20,748	20,748	20,748	-	20,748	100%
	<u>\$ 12,926,250</u>	<u>\$ 639,359</u>	<u>\$ 13,565,609</u>	<u>\$ 6,996,281</u>	<u>\$ 1,534,071</u>	<u>\$ 8,530,352</u>	
Reconciliation of current year expenditures -							
Total capital projects expenditures					855,132		
Capital projects for water and sewer fund					<u>678,939</u>		
					\$ 1,534,071		

