

**CITY OF FORT OGLETHORPE,
GEORGIA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

For the Year Ended December 31, 2012

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Basis for Qualified Opinion

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 29 percent, 29 percent, and 17 percent of the assets, net position, and revenues, respectively, of the City's aggregate discretely presented component units.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, 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, 2012, and the changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to in the first paragraph 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 for the City of Fort Oglethorpe, Georgia, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages vii - xiv and the general fund schedule of revenues, expenditures and changes in fund balances - budget and actual on pages 39 - 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fort Oglethorpe, Georgia's basic financial statements. 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 basic financial statements.

The combining nonmajor fund financial statements and the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fort Oglethorpe, Georgia's internal control over financial reporting and compliance.

Johnson, Nicky & Meucham, P.C.

May 15, 2013

**City of Fort Oglethorpe, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

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 Position 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 Position and the Statement of Activities

Our analysis of the City as a whole begins on page ix. 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 Position 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 position and changes in them. You can think of the City's net position, 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 position 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 Position 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 xi. 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 Position 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 Position 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, 2012 and 2011, a summary of net position of the primary government is as follows:

	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets \$	10,096,106	\$ 8,893,170	\$ 6,845,451	\$ 7,226,122	\$ 16,941,557	\$ 16,119,292
Capital Assets	<u>10,148,092</u>	<u>9,481,153</u>	<u>16,989,485</u>	<u>15,952,125</u>	<u>27,137,577</u>	<u>25,433,278</u>
Total Assets	<u>20,244,198</u>	<u>18,374,323</u>	<u>23,834,936</u>	<u>23,178,247</u>	<u>44,079,134</u>	<u>41,552,570</u>
Current liabilities	471,856	252,889	545,889	524,110	1,017,745	776,999
Long-term liabilities	<u>504,692</u>	<u>570,740</u>	<u>10,210,000</u>	<u>10,445,000</u>	<u>10,714,692</u>	<u>11,015,740</u>
Total liabilities	<u>976,548</u>	<u>823,629</u>	<u>10,755,889</u>	<u>10,969,110</u>	<u>11,732,437</u>	<u>11,792,739</u>
Net position:						
Net investment in capital assets	9,803,994	9,066,473	6,779,485	5,507,125	16,583,479	14,573,598
Restricted	139,971	220,933	-	-	139,971	220,933
Unrestricted	<u>9,323,685</u>	<u>8,263,288</u>	<u>6,299,562</u>	<u>6,702,012</u>	<u>15,623,247</u>	<u>14,965,300</u>
Total net position	<u>\$ 19,267,650</u>	<u>\$ 17,550,694</u>	<u>\$ 13,079,047</u>	<u>\$ 12,209,137</u>	<u>\$ 32,346,697</u>	<u>\$ 29,759,831</u>

The following table provides a summary of the primary government's operations and changes in net position for the year ended December 31, 2012 with comparative totals for the year ended December 31, 2011.

	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program revenues						
Charges for services	\$ 1,347,687	\$ 1,155,807	\$ 3,740,968	\$ 3,455,500	\$ 5,088,655	\$ 4,611,307
Operating Grants	19,499	36,612	-	-	19,499	36,612
Capital Grants	2,489,988	2,014,578	89,201	283,548	2,579,189	2,298,126
General revenues						
Taxes	5,652,596	5,480,527	-	-	5,652,596	5,480,527
Investment earnings	87,895	114,388	93,800	112,343	181,695	226,731
Other	259,898	259,567	76,233	81,157	336,131	340,724
Total revenues	<u>9,857,563</u>	<u>9,061,479</u>	<u>4,000,202</u>	<u>3,932,548</u>	<u>13,857,765</u>	<u>12,994,027</u>
Expenses						
Judicial	485,258	408,328	-	-	485,258	408,328
General government	1,342,506	1,147,224	-	-	1,342,506	1,147,224
Public safety	3,374,542	3,329,763	-	-	3,374,542	3,329,763
Public works	1,073,286	1,281,685	-	-	1,073,286	1,281,685
Housing and development	53,839	90,647	-	-	53,839	90,647
Public welfare	30,579	29,078	-	-	30,579	29,078
General operating expenses	-	-	3,622,402	3,440,617	3,622,402	3,440,617
Culture and recreation	407,730	345,249	-	-	407,730	345,249
Interest	19,270	23,882	443,064	447,689	462,334	471,571
Bond call expense	-	-	-	-	-	-
Total expenses	<u>6,787,010</u>	<u>6,655,856</u>	<u>4,065,466</u>	<u>3,888,306</u>	<u>10,852,476</u>	<u>10,544,162</u>
Excess (deficiency) of revenues over expenses	3,070,553	2,405,623	(65,264)	44,242	3,005,289	2,449,865
Transfers	<u>(1,353,597)</u>	<u>(726,029)</u>	<u>1,353,597</u>	<u>726,029</u>	<u>-</u>	<u>-</u>
Change in net position	1,716,956	1,679,594	1,288,333	770,271	3,005,289	2,449,865
Net position Jan. 1	17,550,694	15,871,100	12,209,137	11,438,866	29,759,831	27,309,966
Prior period adjustment			(418,423)		(418,423)	
Net position Dec. 31	<u>\$ 19,267,650</u>	<u>\$ 17,550,694</u>	<u>\$ 13,079,047</u>	<u>\$ 12,209,137</u>	<u>\$ 32,346,697</u>	<u>\$ 29,759,831</u>

Net position 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 \$ 32.3 million as of December 31, 2012.

Approximately 51% of the City's net position 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 position by \$1,716,956. 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 position.

Business-type Activities

Business-type activities increased the City's net position by \$869,910. SPLOST proceeds totaling \$787,111 were used to purchase equipment for the water and sewer fund, as well as to pay principal 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, 2012, unassigned fund balance was \$7 million. The revenue budget was amended by approximately \$292,000 to reflect an increase in income from grants, insurance recovery, hotel/motel tax and an increase in court fines collected. The expense budget was also amended to cover the following costs: \$9,239 to cover increased costs for commercial insurance, \$9,200 to cover additional costs of employee benefits, \$47,475 for damages to property, \$75,096 for additional court department expenses, \$100,000 for construction on the Patterson Avenue extension, \$10,000 for ARC expenses, \$1,500 chamber expenses, \$5,000 recreation expenses, and \$34,490 for construction on the Canoe Launch. Actual revenues and other sources were more than the amount budgeted by approximately \$877,908 and actual expenditures and other uses were approximately \$513,343 less than the amount budgeted, yielding a positive variance of approximately \$1,391,251.

Other Governmental Funds

The SPLOST capital projects fund assets were \$301,705, liabilities \$195,650 and restricted fund balance was \$106,055 for the year ended December 31, 2012.

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 \$33,916 as of December 31, 2012, liabilities \$0 and committed fund balances were \$33,916.

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 position of the water and sewer operations at the end of the year were \$6,299,562.

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 \$877,908 more than projections, primarily due to actual sales and use tax, franchise tax, alcohol beverage tax, business and occupation tax and fines and forfeitures being more than was budgeted. Expenditures were \$513,343 less than the anticipated budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2012, the City had \$27.1 million invested in capital assets including equipment, buildings, and public improvements. This represents a net increase of \$1,704,299 or 6.7 percent, compared to last year. This increase consisted of asset additions of approximately \$2.6 million, net of depreciation of \$913,995.

Asset additions for governmental activities were approximately \$1,066,000, and consisted of \$11,292 for equipment and vehicles, \$119,290 for buildings and \$935,745 for public improvements. Asset additions of approximately \$1,551,000 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	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,030,268	\$ 1,030,268	\$ 89,156	\$ 89,156	\$ 1,119,424	\$ 1,119,424
Building	3,834,822	3,868,195	45,750	49,043	3,880,572	3,917,238
Public Improvements	4,171,754	3,308,050	16,184,525	13,115,270	20,356,279	16,423,320
Equipment, vehicles, furniture and fixtures	681,085	795,422	143,304	72,435	824,389	867,857
Construction in progress	430,163	479,218	526,750	2,626,221	956,913	3,105,439
Total	<u>\$ 10,148,092</u>	<u>\$ 9,481,153</u>	<u>\$ 16,989,485</u>	<u>\$ 15,952,125</u>	<u>\$ 27,137,577</u>	<u>\$ 25,433,278</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 \$10,714,692 in outstanding long-term debt compared to \$11,015,740 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 2012 are \$10,210,000.

A summary of long-term debt is as follows:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Capital Lease Obligation	\$344,098	\$414,680	-	-	\$344,098	\$414,680
Compensated Absences	160,594	156,060	-	-	160,594	156,060
Revenue Bonds	-	-	10,210,000	10,445,000	10,210,000	10,445,000
Total	\$504,692	\$570,740	\$10,210,000	\$10,445,000	\$10,714,692	\$11,015,740

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 detective cars payable yearly through May, 2014.

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 7% increase in general fund revenues and expenses for 2013. The increase is due to an anticipated increase in sales taxes, business & occupation taxes and insurance premium taxes.

The city budgeted a .8% increase in revenues in the proprietary fund (water and sewer fund) and also a .8% 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 POSITION
DECEMBER 31, 2012

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS:				
Cash and cash equivalents	\$ 6,122,445	\$ 5,354,353	\$ 11,476,798	\$ 10,253
Restricted cash and cash equivalents	-	2,600,499	2,600,499	-
Due from other governmental entities	922,922	-	922,922	-
Property taxes receivable	223,793	-	223,793	-
Other taxes receivable	357,748	-	357,748	-
Other receivables	511,678	384,193	895,871	-
Due from (to) other fund	1,752,583	(1,752,583)	-	-
Prepaid supplies	29,600	-	29,600	-
Prepaid insurance	175,337	38,789	214,126	-
Prepaid bond insurance	-	220,200	220,200	-
Land and other nondepreciable assets	1,460,431	615,906	2,076,337	-
Other capital assets, net of accumulated depreciation	<u>8,687,661</u>	<u>16,373,579</u>	<u>25,061,240</u>	<u>-</u>
Total assets	<u>\$ 20,244,198</u>	<u>\$ 23,834,936</u>	<u>\$ 44,079,134</u>	<u>\$ 10,253</u>
LIABILITIES:				
Accounts payable	\$ 341,128	\$ 212,948	\$ 554,076	\$ -
Payroll withholdings and accruals	129,708	30,207	159,915	-
Other	1,020	-	1,020	-
Accrued interest payable	-	109,885	109,885	-
Compensated absences payable	-	40,033	40,033	-
Customer deposits	-	152,816	152,816	-
Long-term liabilities -				
Due within one year	226,205	240,000	466,205	-
Due in more than one year	<u>278,487</u>	<u>9,970,000</u>	<u>10,248,487</u>	<u>-</u>
Total liabilities	<u>\$ 976,548</u>	<u>\$ 10,755,889</u>	<u>\$ 11,732,437</u>	<u>\$ -</u>
NET POSITION:				
Net investment in capital assets	\$ 9,803,994	\$ 6,779,485	\$ 16,583,479	\$ -
Restricted for -				
SPLOST projects	106,055	-	106,055	-
Public safety	33,916	-	33,916	-
Unrestricted	<u>9,323,685</u>	<u>6,299,562</u>	<u>15,623,247</u>	<u>10,253</u>
Total net position	<u>\$ 19,267,650</u>	<u>\$ 13,079,047</u>	<u>\$ 32,346,697</u>	<u>\$ 10,253</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, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	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	\$ 485,258	\$ -	\$ -	\$ -	\$ (485,258)	\$ -	\$ (485,258)	\$ -
General government	1,342,506	163	-	1,542,014	199,671	-	199,671	-
Public safety	3,374,542	1,151,264	19,499	2,780	(2,200,999)	-	(2,200,999)	-
Public works	1,073,286	-	-	945,194	(128,092)	-	(128,092)	-
Housing and development	53,839	65,510	-	-	11,671	-	11,671	-
Public welfare	30,579	-	-	-	(30,579)	-	(30,579)	-
Culture and recreation	407,730	130,750	-	-	(276,980)	-	(276,980)	-
Interest	19,270	-	-	-	(19,270)	-	(19,270)	-
Total governmental activities	6,787,010	1,347,687	19,499	2,489,988	(2,929,836)	-	(2,929,836)	-
Business-type activities:								
Water and sewer management	4,065,466	3,740,968	-	89,201	-	(235,297)	(235,297)	-
Total business-type activities	4,065,466	3,740,968	-	89,201	-	(235,297)	(235,297)	-
Total primary government	10,852,476	5,088,655	19,499	2,579,189	(2,929,836)	(235,297)	(3,165,133)	-
COMPONENT UNITS:								
Recreation Commission	16,837	-	10,000	-	-	-	-	(6,837)
Downtown Development Authority	2,422	-	1,987	-	-	-	-	(435)
Total component units	\$ 19,259	\$ -	\$ 11,987	\$ -	-	-	-	(7,272)
GENERAL REVENUES:								
Property taxes					1,409,064	-	1,409,064	-
Local option sales tax					1,977,851	-	1,977,851	-
Alcoholic beverage tax					222,624	-	222,624	-
Business and occupation tax					871,954	-	871,954	-
Franchise taxes and fees					933,724	-	933,724	-
Other taxes					237,379	-	237,379	-
Property rental					190,151	-	190,151	-
Interest					87,895	93,800	181,695	27
Gain on sale of assets					4,680	-	4,680	-
Other					65,067	76,233	141,300	-
Total general revenues					6,000,389	170,033	6,170,422	27
TRANSFERS					(1,353,597)	1,353,597	-	-
Change in net position					1,716,956	1,288,333	3,005,289	(7,245)
NET POSITION:								
Beginning					17,550,694	12,209,137	29,759,831	17,498
Prior period adjustment					-	(418,423)	(418,423)	-
Beginning, restated					17,550,694	11,790,714	29,341,408	17,498
Ending					\$ 19,267,650	\$ 13,079,047	\$ 32,346,697	\$ 10,253

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

CITY OF FORT OGLETHORPE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General Fund	SPLOST Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 5,986,320	\$ 106,054	\$ 30,071	\$ 6,122,445
Due from other				
governmental entities	922,922	-	-	922,922
Due from other funds	1,948,233	-	-	1,948,233
Property taxes receivable	223,793	-	-	223,793
Other taxes receivable	357,748	-	-	357,748
Other receivables	312,182	195,651	3,845	511,678
Prepaid insurance	175,337	-	-	175,337
Other prepaid items	<u>29,600</u>	<u>-</u>	<u>-</u>	<u>29,600</u>
 Total assets	 <u>\$ 9,956,135</u>	 <u>\$ 301,705</u>	 <u>\$ 33,916</u>	 <u>\$ 10,291,756</u>
 LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 341,128	\$ -	\$ -	\$ 341,128
Payroll withholdings and accruals	129,708	-	-	129,708
Due to other funds	-	195,650	-	195,650
Other	<u>1,020</u>	<u>-</u>	<u>-</u>	<u>1,020</u>
 Total liabilities	 <u>471,856</u>	 <u>195,650</u>	 <u>-</u>	 <u>667,506</u>
 Deferred inflows of resources:				
Deferred property taxes	<u>176,077</u>	<u>-</u>	<u>-</u>	<u>176,077</u>
 Total deferred inflows of resources	 <u>176,077</u>	 <u>-</u>	 <u>-</u>	 <u>176,077</u>
 Fund balances:				
Nonspendable -				
Prepaid items	204,937	-	-	204,937
Advance to other fund	1,678,916	-	-	1,678,916
Restricted for -				
SPLOST projects	-	106,055	-	106,055
Capital projects	8,815	-	-	8,815
Tourism	30,629	-	-	30,629
Committed for -				
Public safety	-	-	33,916	33,916
Assigned -				
Next fiscal year's budget	376,370	-	-	376,370
Unassigned	<u>7,008,535</u>	<u>-</u>	<u>-</u>	<u>7,008,535</u>
 Total fund balances	 <u>9,308,202</u>	 <u>106,055</u>	 <u>33,916</u>	 <u>9,448,173</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 9,956,135</u>	 <u>\$ 301,705</u>	 <u>\$ 33,916</u>	 <u>\$ 10,291,756</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 POSITION
DECEMBER 31, 2012

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

Fund balances - total governmental funds	\$ 9,448,173
--	--------------

Amounts reported for governmental activities in the statement of net position 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.	176,077
--	---------

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,148,092
---	------------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(504,692)</u>
--	------------------

	<u>\$19,267,650</u>
--	---------------------

(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, 2012

	<u>General Fund</u>	<u>SPLOST Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes	\$ 5,628,561	\$ -	\$ 61,258	\$ 5,689,819
Licenses and permits	106,860	-	-	106,860
Charges for services	311,803	-	-	311,803
Intergovernmental	393,995	1,540,696	585,485	2,520,176
Fines, fees and forfeitures	920,175	-	8,849	929,024
Investment earnings	87,600	1,318	295	89,213
Other	<u>258,278</u>	<u>-</u>	<u>1,620</u>	<u>259,898</u>
Total revenues	<u>7,707,272</u>	<u>1,542,014</u>	<u>657,507</u>	<u>9,906,793</u>
EXPENDITURES:				
Current				
Judicial	485,258	-	-	485,258
General government	1,243,771	-	-	1,243,771
Public safety	3,196,852	-	31,319	3,228,171
Public works	1,289,807	3,321	-	1,293,128
Housing and development	53,839	-	-	53,839
Public welfare	30,579	-	-	30,579
Culture and recreation	424,424	-	-	424,424
Capital outlay	-	670,976	-	670,976
Debt service -				
Principal	-	135,819	-	135,819
Interest	<u>-</u>	<u>19,270</u>	<u>-</u>	<u>19,270</u>
Total expenditures	<u>6,724,530</u>	<u>829,386</u>	<u>31,319</u>	<u>7,585,235</u>
EXCESS OF REVENUES OVER EXPENDITURES	982,742	712,628	626,188	2,321,558
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease obligations	65,238	-	-	65,238
Transfers from other funds	86,212	-	19,531	105,743
Transfers to other funds	<u>(19,531)</u>	<u>(787,111)</u>	<u>(652,698)</u>	<u>(1,459,340)</u>
NET CHANGE IN FUND BALANCE	1,114,661	(74,483)	(6,979)	1,033,199
FUND BALANCES:				
Beginning	<u>8,193,541</u>	<u>180,538</u>	<u>40,895</u>	<u>8,414,974</u>
Ending	<u>\$ 9,308,202</u>	<u>\$ 106,055</u>	<u>\$ 33,916</u>	<u>\$ 9,448,173</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, 2012

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

Net change in fund balances - total governmental funds	\$ 1,033,199
--	--------------

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.	1,140,958
---	-----------

Depreciation expense on governmental capital assets is included in the statement of activities.	(474,018)
---	-----------

Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(65,238)
--	----------

Long-term liabilities in the statement of net position 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.	(4,534)
--	---------

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 position.	135,820
---	---------

Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds.	(49,231)
--	----------

\$ 1,716,956

(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 POSITION
DECEMBER 31, 2012

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 5,354,353
Accounts receivable, net of allowance for uncollectibles of \$18,478	384,193
Prepaid insurance	<u>38,789</u>
Total current assets	<u>5,777,335</u>

LONG-TERM ASSETS:

Restricted Assets -

Investments in money market account, restricted by bond covenants	1,750,875
Bond interest and sinking funds	<u>849,624</u>
	<u>2,600,499</u>

Capital Assets -

Land and other nondepreciable assets	615,906
Property, plant, and equipment	<u>22,549,705</u>
	23,165,611
Less accumulated depreciation	<u>6,176,126</u>
Net capital assets	<u>16,989,485</u>

Other Assets -

Prepaid bond insurance	<u>220,200</u>
Total long-term assets	<u>19,810,184</u>
Total assets	<u>\$25,587,519</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Current maturities of bonds payable	\$ 240,000
Accounts payable	212,948
Due to other funds	1,752,583
Payroll withholdings and accruals	30,207
Accrued interest	109,885
Compensated absences payable	40,033
Customer deposits	<u>152,816</u>
Total current liabilities	<u>2,538,472</u>

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

Bonds payable	<u>9,970,000</u>
Total long-term liabilities	<u>9,970,000</u>
Total liabilities	<u>12,508,472</u>

NET POSITION:

Net investment in capital assets	6,779,485
Unrestricted	<u>6,299,562</u>
	<u>13,079,047</u>
Total liabilities and net position	<u>\$25,587,519</u>

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

CITY OF FORT OGLETHORPE, GEORGIA
PROPRIETARY FUND - WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

OPERATING REVENUES:

Water sales	\$ 1,187,592
Sewer charges	2,489,321
Water and sewer taps	45,950
Meter and reconnect fees	18,105
Federal financial assistance	89,201
Other	<u>76,233</u>

Total revenues	<u>3,906,402</u>
----------------	------------------

OPERATING EXPENSES:

Depreciation and amortization	532,955
General operating expenses	<u>3,089,447</u>

Total expenses	<u>3,622,402</u>
----------------	------------------

OPERATING INCOME

284,000

NONOPERATING REVENUE (EXPENSE):

Interest revenue	93,800
Interest expense	<u>(443,064)</u>

Loss before transfers	(65,264)
-----------------------	----------

TRANSFERS:

Transfer from other funds	<u>1,353,597</u>
---------------------------	------------------

CHANGE IN NET POSITION

1,288,333

NET POSITION:

Beginning	12,209,137
Prior period adjustment	<u>(418,423)</u>
Beginning, restated	<u>11,790,714</u>
Ending	<u><u>\$13,079,047</u></u>

(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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from user fees	\$ 3,619,029
Receipts from other governments	89,201
Payments to employees	(651,225)
Payments for goods and other services	(2,419,994)
Other receipts	<u>76,233</u>

Net cash provided by operating activities	<u>713,244</u>
---	----------------

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES:

Cash paid for capital assets	(208,194)
Payments on long-term debt	(235,000)
Interest paid	<u>(444,239)</u>

Net cash used by capital and related financing activities	<u>(887,433)</u>
--	------------------

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Loans from other fund	15,476
Payments on loans to other fund	<u>1,942</u>

Net cash provided by other financing activities	<u>17,418</u>
---	---------------

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	<u>93,800</u>
-------------------	---------------

Net cash provided by investing activities	<u>93,800</u>
---	---------------

NET DECREASE IN CASH AND CASH EQUIVALENTS	(62,971)
--	----------

CASH AND CASH EQUIVALENTS

Beginning	<u>8,017,823</u>
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Ending	<u>\$ 7,954,852</u>
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RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 284,000
Adjustments to reconcile operating income to net cash provided by operating activities -	
Depreciation and amortization	532,955
Net change in operating assets	(126,665)
Net change in operating liabilities	<u>22,954</u>

Net cash provided by operating activities	<u>\$ 713,244</u>
---	-------------------

RECONCILIATION OF CASH AND CASH EQUIVALENTS:

Cash and cash equivalents	\$ 5,354,353
Restricted cash and cash equivalents	<u>2,600,499</u>

	<u>\$ 7,954,852</u>
--	---------------------

SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL

AND RELATED FINANCING ACTIVITIES:

Capital assets acquired	\$ (1,561,791)
Transferred from capital projects funds	<u>1,353,597</u>

Cash paid for capital assets	<u>\$ (208,194)</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, 2012

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash and cash equivalents	\$ <u> -</u>	\$ <u>920,175</u>	\$ <u>920,175</u>	\$ <u> -</u>
LIABILITIES:				
Due to general fund	\$ <u> -</u>	\$ <u>920,175</u>	\$ <u>920,175</u>	\$ <u> -</u>

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

CITY OF FORT OGLETHORPE, GEORGIA
STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2012

	Recreation Commission <u>December 31, 2012</u>	Downtown Development Authority (Unaudited) <u>September 30, 2012</u>	<u>Totals</u>
ASSETS:			
Cash and cash equivalents	\$ 7,250	\$ 3,003	\$ 10,253
Total assets	<u>\$ 7,250</u>	<u>\$ 3,003</u>	<u>\$ 10,253</u>
NET POSITION:			
Unrestricted	\$ 7,250	\$ 3,003	\$ 10,253
Total net position	<u>\$ 7,250</u>	<u>\$ 3,003</u>	<u>\$ 10,253</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, 2012**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants and Contributions	Recreation Commission	Downtown Development Authority (Unaudited)	Total
Recreation Commission:						
Recreation Commission operations	\$ 16,837	\$ -	\$ 10,000	\$ (6,837)	\$ -	\$ (6,837)
Downtown Development Authority (unaudited):						
Downtown Development Authority operations	2,422	-	1,987	-	(435)	(435)
Total component units	<u>\$ 19,259</u>	<u>\$ -</u>	<u>\$ 11,987</u>	<u>(6,837)</u>	<u>(435)</u>	<u>(7,272)</u>
GENERAL REVENUES:						
				27	-	27
				27	-	27
				(6,810)	(435)	(7,245)
NET POSITION:						
				14,060	3,438	17,498
				<u>\$ 7,250</u>	<u>\$ 3,003</u>	<u>\$ 10,253</u>

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

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

(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, 2012

(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 position 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 position. Cash balances held by agency funds for governmental activities of the primary government are eliminated in the government-wide statement of net position 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

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

Basis of Presentation (continued) -

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.

Basis of Accounting -

The government-wide financial statements, consisting of the statement of net position and the statement of changes in net position 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, 2012

(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. 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 position. The various funds are grouped into fund types as follows:

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

(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, 2012

(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, 2012

(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 position."

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 Council through the adoption of a resolution. The Council also may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are intended to be used for a specific purpose. Intent can be expressed by the Council or by an official or body to which the Council delegates authority.

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, 2012

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

Fund Equity (continued) -

Net position - Net position represents the residual of all elements presented in a statement of financial position. Net investment in capital assets, 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 position is reported as restricted as described in the fund balances section above. All other net position is 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.

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, 2012

(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, public improvements, and water and sewer systems are 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 \$6.716 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, 2012

(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 recognized as revenue when received or as expenditures in the period in which incurred. Insurance costs associated with 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, 2012

(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.

Deferred Outflows/Inflows of Resources -

During the current year, the City adopted the provisions of GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Under this Statement, GASB has defined deferred outflows of resources and deferred inflows of resources as follows:

Deferred outflows of resources - a consumption of net assets by the government that is applicable to a future reporting period.

Deferred inflows of resources - an acquisition of net assets by the government that is applicable to a future reporting period.

As of December 31, 2012, the City did not have any deferred outflows of resources and had \$176,077 of deferred inflows of resources from deferred property taxes. This statement had no significant impact on the City.

(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.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

(2) CASH AND INVESTMENTS (Continued):

At December 31, 2012, 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>\$14,075,520</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.

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, 2012).

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 State Treasury 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.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

(2) CASH AND INVESTMENTS (Continued):

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.

(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 \$1,752,583 for the water and sewer fund includes \$1,707 which results from the general fund paying expenses on behalf of the water and sewer fund. The interfund payable of \$195,650 for the SPLOST capital projects fund results from the general fund paying expenses for the SPLOST capital projects fund. It is anticipated that these balances will be settled in the next fiscal year.

The remaining interfund payable of \$1,750,876 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 re-payment schedule has been established, but the loan is expected to be paid over a several year period.

Interfund receivables and payables at December 31, 2012, are as follows -

	<u>Receivables</u>	<u>Payables</u>
General fund	\$ 1,948,233	\$ -
SPLOST capital projects	-	195,650
Water and sewer fund	-	1,752,583
	<u>\$ 1,948,233</u>	<u>\$ 1,948,233</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, 2012, were as follows -

From hotel/motel tax fund to general fund	\$ 61,258
From law enforcement fund to general fund	\$ 24,954
From general fund to law enforcement fund	\$ 19,531
From SPLOST Capital projects fund to water and sewer fund	\$ 787,111
From CDBG Capital projects fund to water and sewer fund	\$ 566,486

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

(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	\$ 1,030,268	\$ -	\$ -	\$ 1,030,268
Construction in progress	<u>479,218</u>	<u>1,055,035</u>	<u>(1,104,090)</u>	<u>430,163</u>
	<u>\$ 1,509,486</u>	<u>\$ 1,055,035</u>	<u>\$ (1,104,090)</u>	<u>\$ 1,460,431</u>
Depreciable capital assets -				
Public improvements	\$ 4,005,029	\$ 984,800	\$ -	\$ 4,989,829
Buildings	5,868,960	119,290	-	5,988,250
Equipment, vehicles, furniture and fixtures	<u>3,971,852</u>	<u>85,922</u>	<u>(74,630)</u>	<u>3,983,144</u>
	<u>13,845,841</u>	<u>1,190,012</u>	<u>(74,630)</u>	<u>14,961,223</u>
Less accumulated depreciation -				
Public improvements	696,979	121,096	-	818,075
Buildings	2,000,765	152,663	-	2,153,428
Equipment, vehicles, furniture and fixtures	<u>3,176,430</u>	<u>200,259</u>	<u>(74,630)</u>	<u>3,302,059</u>
	<u>5,874,174</u>	<u>474,018</u>	<u>(74,630)</u>	<u>6,273,562</u>
Depreciable capital assets, net	<u>\$ 7,971,667</u>	<u>\$ 715,994</u>	<u>\$ -</u>	<u>\$ 8,687,661</u>

During 2012, there were \$820,288 transfers of capital assets from governmental activities to business-type activities.

Depreciation charged to expense totaled \$474,018, and is charged to functions as follows -

General government	\$ 181,589
Judicial	-
Public safety	141,838
Public works	34,337
Culture and recreation	<u>116,254</u>
Total	<u>\$ 474,018</u>

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

(4) CAPITAL ASSETS (Continued):

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; 5 to 40 years for water and sewer system; 5 to 39 years for public improvements; and 20 to 40 years for transmission lines. Depreciation charged to expense totaled \$524,431.

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>2,626,221</u>	<u>1,377,689</u>	<u>(3,477,160)</u>	<u>526,750</u>
	<u>\$ 2,715,377</u>	<u>\$ 1,377,689</u>	<u>\$ (3,477,160)</u>	<u>\$ 615,906</u>
Depreciable capital assets -				
Buildings	\$ 102,270	\$ -	\$ -	\$ 102,270
Water/sewer system	17,918,981	3,537,620	-	21,456,601
Equipment and vehicles	<u>877,016</u>	<u>123,642</u>	<u>(9,824)</u>	<u>990,834</u>
	<u>18,898,267</u>	<u>3,661,262</u>	<u>(9,824)</u>	<u>22,549,705</u>
Less accumulated depreciation -				
Buildings	53,227	3,293	-	56,520
Water/sewer system	4,803,711	478,189	(9,824)	5,272,076
Equipment and vehicles	<u>804,581</u>	<u>42,949</u>	<u>-</u>	<u>847,530</u>
	<u>5,661,519</u>	<u>524,431</u>	<u>(9,824)</u>	<u>6,176,126</u>
Depreciable capital assets, net	<u>\$13,236,748</u>	<u>\$ 3,136,831</u>	<u>\$ -</u>	<u>\$16,373,579</u>

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

(5) LONG-TERM DEBT:

Governmental activities

Debt for governmental activities reported in the government-wide statement of net position 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 position 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	\$ 301,263
Lease financed with Regions Equipment Finance Corporation, for acquisition of detective vehicles in the amount of \$65,238 under a lease purchase agreement, payable in yearly payments of \$22,403 including interest at 3.05%, through 2014	<u>42,835</u>
	<u>\$ 344,098</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, 2013	\$ 81,378	\$ 15,767	\$ 65,611
2014	81,378	12,987	68,391
2015	58,975	10,085	48,890
2016	58,975	7,738	51,237
2017	58,975	5,279	53,696
2018	<u>58,975</u>	<u>2,702</u>	<u>56,273</u>
	<u>\$ 398,656</u>	<u>\$ 54,558</u>	<u>\$ 344,098</u>

The gross amount of governmental activities assets recorded under existing capital leases in the government-wide statement of net position is \$525,084 for an equipment lease. Accumulated depreciation of assets acquired under capital leases is recorded at \$147,740.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

(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	\$ 414,680	\$ 65,238	\$ (135,820)	\$ 344,098
Compensated absences	<u>156,060</u>	<u>4,534</u>	<u>-</u>	<u>160,594</u>
	<u>\$ 570,740</u>	<u>\$ 69,772</u>	<u>\$ (135,820)</u>	<u>\$ 504,692</u>

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

Due within one year -

Capital lease obligations	\$ 65,611
Compensated absences	<u>160,594</u>

226,205

Due in more than one year

278,487

\$ 504,692

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. During the current year, the City implemented GASB Statement No. 65 *Items Previously Reported as Assets & Liabilities*. Under this guidance bond premiums and discounts, as well as issuance costs, are recognized as revenue when received or as expenditures in the period in which incurred. Prepaid insurance costs are deferred and amortized over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

(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 \$10,210,000

Maturities of proprietary fund bonds payable are as follows -

	<u>Gross Payments</u>	<u>Interest</u>	<u>Principal</u>
For the year ending:			
December 31, 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	678,464	413,464	265,000
2018-2022	3,389,694	1,909,694	1,480,000
2023-2027	3,387,509	1,587,509	1,800,000
2028-2032	3,387,018	1,162,018	2,225,000
2033-2037	3,391,850	586,850	2,805,000
2038	677,250	32,250	645,000
	<u>\$17,625,791</u>	<u>\$7,415,791</u>	<u>\$10,210,000</u>

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

	<u>Beginning Balance</u>	<u>Adjustments and Additions</u>	<u>Adjustments and Retirements</u>	<u>Ending Balance</u>
Revenue bonds	<u>\$10,445,000</u>	<u>\$ -</u>	<u>\$ (235,000)</u>	<u>\$10,210,000</u>

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

Due within one year	\$ 240,000
Due within more than one year	<u>9,970,000</u>
	<u>\$10,210,000</u>

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

(6) OPERATING LEASES:

The City leases equipment under operating leases expiring May 25, 2013, May 15, 2017, and November 1, 2017 at various amounts totaling \$894 per month. Minimum obligations relative to these leases are as follows -

For the year ending December 31, 2013	\$ 10,074
2014	9,604
2015	9,604
2016	9,604
2017	<u>5,206</u>
	<u>\$ 44,092</u>

Rent expense relative to the above leases was \$9,591 for the year ended December 31, 2012.

(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, 2012

(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, 2012 was \$297,545, based on 10.84% of estimated, annual covered payroll. The actual contribution was \$297,545.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

(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, 2012. 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>
12/31/2012	\$297,545	100.00%	\$ -
12/31/2011	\$298,097	100.00%	\$ -
12/31/2010	\$340,109	100.00%	\$ -

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>
7/1/2012	\$4,596	\$6,039	\$1,443	76.11%	\$2,729	52.87%
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	27.40%

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

(7) PENSION PLAN (Continued):

DEFINED CONTRIBUTION PLAN:

Plan Description -

The City maintains 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, 2012 were approximately \$58,639 and \$76,284, 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, 2012, 2011, and 2010. Deductibles for which the City was responsible amounted to \$13,010, \$4,260, and \$1,021, 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 involved in litigation related to a dispute over a concrete pad constructed by the City. While management considers it probable that a liability has been incurred at the date of the financial statements, the amount of loss cannot be reliably estimated, and has therefore not been accrued in the accompanying financial statements. The estimated range of loss is considered to be an amount up to but not exceeding \$80,000.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

(9) LITIGATION (Continued):

The City is also the defendant in certain other legal actions which are being vigorously defended.

It is the opinion of management and legal counsel that none of the aforementioned proceedings will have a material effect on the financial position of the City.

(10) COMMITMENTS:

At December 31, 2012, the City has construction commitments in the amount of \$1,293,187, with \$864,115 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, 2012, is as follows:

Lodging tax - 6%	\$ 61,258
Disbursements for tourism and development	\$ 30,629

(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, 2012, the City paid \$9,342 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, 2012

(13) PRIOR PERIOD ADJUSTMENT:

The City has adopted the provisions of GASB Statement Number 65 *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources, deferred inflows of resources, or current period outflows and inflows. Under this guidance, debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred.

Prior to the issuance of this Statement, bond premiums and discounts, as well as issuance costs, were deferred and amortized over the life of the bonds. Bonds payable were reported net of the applicable bond premium or discount. Bond issuance costs were reported as deferred charges and amortized over the term of the related debt.

The City has restated its beginning fund balance for the year ended December 31, 2012 to comply with the provisions of GASB Statement No. 65. The effect on beginning fund balance is a decrease of \$418,423. Beginning bond issue costs for the current year have been decreased by the same amount.

(14) SUBSEQUENT EVENTS:

Management has evaluated subsequent events through May 15, 2013, 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, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
TAXES:				
Property taxes	\$1,439,447	\$1,439,447	\$1,458,294	\$ 18,847
Motor vehicle tax	81,557	81,557	98,200	16,643
Business and occupation tax	733,000	733,000	871,954	138,954
General sales and use tax	1,800,000	1,800,000	1,977,851	177,851
Franchise tax	871,100	871,100	933,724	62,624
Real estate transfer tax	5,000	5,000	7,759	2,759
Intangible tax	18,000	18,000	37,094	19,094
Alcoholic beverage tax	178,000	178,000	222,624	44,624
Other taxes	<u>14,600</u>	<u>14,600</u>	<u>21,061</u>	<u>6,461</u>
Total taxes	<u>5,140,704</u>	<u>5,140,704</u>	<u>5,628,561</u>	<u>487,857</u>
LICENSES AND PERMITS:				
Alcoholic beverage license	39,000	39,000	41,350	2,350
Other licenses and permits	<u>49,900</u>	<u>49,900</u>	<u>65,510</u>	<u>15,610</u>
Total licenses and permits	<u>88,900</u>	<u>88,900</u>	<u>106,860</u>	<u>17,960</u>
INTERGOVERNMENTAL:				
Road and bridge projects	150,000	250,000	271,304	21,304
Federal financial assistance	101,000	111,000	110,684	(316)
Federal government in lieu of taxes	<u>9,600</u>	<u>9,600</u>	<u>12,007</u>	<u>2,407</u>
Total intergovernmental	<u>260,600</u>	<u>370,600</u>	<u>393,995</u>	<u>23,395</u>
CHARGES FOR SERVICES:				
Public safety	178,000	178,000	177,205	(795)
Background checks	2,900	2,900	3,685	785
Culture and recreation	102,900	107,900	130,750	22,850
Other services	<u>200</u>	<u>200</u>	<u>163</u>	<u>(37)</u>
Total charges for services	<u>284,000</u>	<u>289,000</u>	<u>311,803</u>	<u>22,803</u>
FINES AND FORFEITURES:				
Police and courts	<u>650,000</u>	<u>743,000</u>	<u>920,175</u>	<u>177,175</u>
Total fines and forfeitures	<u>650,000</u>	<u>743,000</u>	<u>920,175</u>	<u>177,175</u>

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, 2012

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>with Final</u>
				<u>Budget</u>
MISCELLANEOUS:				
Investment Income	\$ 60,000	\$ 60,000	\$ 87,600	\$ 27,600
Property rental	187,063	187,063	190,151	3,088
Insurance recovery	-	29,547	27,028	(2,519)
Other	<u>9,000</u>	<u>9,000</u>	<u>41,099</u>	<u>32,099</u>
Total miscellaneous	<u>256,063</u>	<u>285,610</u>	<u>345,878</u>	<u>60,268</u>
 Total revenues	<u>6,680,267</u>	<u>6,917,814</u>	<u>7,707,272</u>	<u>789,458</u>
EXPENDITURES:				
Judicial -				
Municipal Court	<u>431,605</u>	<u>535,407</u>	<u>485,258</u>	<u>50,149</u>
Total judicial	<u>431,605</u>	<u>535,407</u>	<u>485,258</u>	<u>50,149</u>
 General Government -				
Legislative	110,652	110,943	88,509	22,434
Executive	405,370	526,699	456,113	70,586
Administration	375,879	376,764	345,174	31,590
General government buildings	<u>424,935</u>	<u>369,877</u>	<u>353,975</u>	<u>15,902</u>
Total general government	<u>1,316,836</u>	<u>1,384,283</u>	<u>1,243,771</u>	<u>140,512</u>
 Public Safety -				
Police	2,142,029	2,157,797	2,153,866	3,931
Fire	<u>1,154,832</u>	<u>1,156,542</u>	<u>1,042,986</u>	<u>113,556</u>
Total public safety	<u>3,296,861</u>	<u>3,314,339</u>	<u>3,196,852</u>	<u>117,487</u>
 Public works -				
Public works administration	113,620	114,607	110,068	4,539
Highways and streets	553,841	573,254	512,437	60,817
Traffic engineering	122,387	140,315	105,764	34,551
Solid waste collection	496,978	520,578	505,674	14,904
Maintenance and shop	<u>68,438</u>	<u>68,438</u>	<u>55,864</u>	<u>12,574</u>
Total public works	<u>1,355,264</u>	<u>1,417,192</u>	<u>1,289,807</u>	<u>127,385</u>

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, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Culture and Recreation -				
Parks administration	\$ 80,709	\$ 81,405	\$ 77,197	\$ 4,208
Parks operation	253,090	291,580	254,418	37,162
Swimming pools	96,378	96,378	83,467	12,911
Senior center	10,000	10,000	9,342	658
Total culture and recreation	<u>440,177</u>	<u>479,363</u>	<u>424,424</u>	<u>54,939</u>
Public welfare -				
Tourism	<u>30,000</u>	<u>31,500</u>	<u>30,579</u>	<u>921</u>
Total public welfare	<u>30,000</u>	<u>31,500</u>	<u>30,579</u>	<u>921</u>
Housing and development -				
Protective inspection	<u>94,696</u>	<u>95,320</u>	<u>53,839</u>	<u>41,481</u>
Total housing and development	<u>94,696</u>	<u>95,320</u>	<u>53,839</u>	<u>41,481</u>
Total expenditures	<u>6,965,439</u>	<u>7,257,404</u>	<u>6,724,530</u>	<u>532,874</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(285,172)</u>	<u>(339,590)</u>	<u>982,742</u>	<u>1,322,332</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease obligatio	-	-	65,238	65,238
Transfers from other funds	60,000	63,000	86,212	23,212
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(19,531)</u>	<u>(19,531)</u>
	<u>60,000</u>	<u>63,000</u>	<u>131,919</u>	<u>68,919</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(225,172)</u>	<u>(276,590)</u>	<u>1,114,661</u>	<u>1,391,251</u>
FUND BALANCES:				
Beginning	<u>8,193,541</u>	<u>8,193,541</u>	<u>8,193,541</u>	<u>-</u>
Ending	<u>\$7,968,369</u>	<u>\$7,916,951</u>	<u>\$9,308,202</u>	<u>\$ 1,391,251</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, 2012

	<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	\$ 30,071	\$ -	\$ -	\$ 30,071	\$ -	\$ 30,071
Other receivables	-	3,845	-	3,845	-	3,845
 Total assets	<u>\$ 30,071</u>	<u>\$ 3,845</u>	<u>\$ -</u>	<u>\$ 33,916</u>	<u>\$ -</u>	<u>\$ 33,916</u>
 LIABILITIES AND FUND BALANCES:						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
 Fund balances:						
Unreserved, designated for specific purposes	30,071	3,845	-	33,916	-	33,916
 Total fund balances	<u>30,071</u>	<u>3,845</u>	<u>-</u>	<u>33,916</u>	<u>-</u>	<u>33,916</u>
 Total liabilities and fund balances	<u>\$ 30,071</u>	<u>\$ 3,845</u>	<u>\$ -</u>	<u>\$ 33,916</u>	<u>\$ -</u>	<u>\$ 33,916</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, 2012

	Special Revenue				Capital Projects	Total Nonmajor Governmental Funds
	Confiscated Assets	Law Enforcement	Hotel/ Motel Tax	Total	CDBG Grant	
REVENUES:						
Taxes	\$ -	\$ -	\$ 61,258	\$ 61,258	\$ -	\$ 61,258
Intergovernmental	-	19,499	-	19,499	565,986	585,485
Fines, fees and forfeitures	8,849	-	-	8,849	-	8,849
Interest	295	-	-	295	-	295
Other	1,620	-	-	1,620	-	1,620
Total revenues	10,764	19,499	61,258	91,521	565,986	657,507
EXPENDITURES:						
Current -						
Public safety	11,788	19,531	-	31,319	-	31,319
Total expenditures	11,788	19,531	-	31,319	-	31,319
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,024)	(32)	61,258	60,202	565,986	626,188
OTHER FINANCING SOURCES (USES):						
Transfer from other funds	-	19,531	-	19,531	-	19,531
Transfer to other funds	-	(24,954)	(61,258)	(86,212)	(566,486)	(652,698)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(1,024)	(5,455)	-	(6,479)	(500)	(6,979)
FUND BALANCES:						
Beginning	31,095	9,300	-	40,395	500	40,895
Ending	\$ 30,071	\$ 3,845	\$ -	\$ 33,916	\$ -	\$ 33,916

FINANCIAL SCHEDULES

CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Total</u>
TAXES RECEIVABLE,					
Beginning	\$ -	\$ 217,158	\$ 53,837	\$ 17,311	\$ 288,306
TAX LEVY	1,407,715	-	-	-	1,407,715
ADJUSTMENTS:					
Releases, net of pickups	(7,893)	(3,990)	(4,841)	(5,284)	(22,008)
COLLECTIONS	<u>(1,237,475)</u>	<u>(158,636)</u>	<u>(39,024)</u>	<u>(11,301)</u>	<u>(1,446,436)</u>
TAXES RECEIVABLE,					
Ending	<u>162,347</u>	<u>54,532</u>	<u>9,972</u>	<u>726</u>	<u>227,577</u>
Less allowance for uncollectible taxes	<u>(2,502)</u>	<u>(468)</u>	<u>(88)</u>	<u>(726)</u>	<u>(3,784)</u>
TAXES RECEIVABLE,					
Net	<u>\$ 159,845</u>	<u>\$ 54,064</u>	<u>\$ 9,884</u>	<u>\$ -</u>	<u>\$ 223,793</u>

CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF WATER AND SEWER RATES
DECEMBER 31, 2012

The water and sewer rates for the City of Fort Oglethorpe, Georgia at December 31, 2012, are as follows -

	<u>Water Rates</u>	<u>Sewer Rates</u>
Residential:		
First 2,000 gallons	\$12.71/minimum	\$13.49/minimum
All over 2,000 gallons	\$3.36/1,000 gallons	\$3.51/1,000 gallons

Commercial:		
First 2,000 gallons	\$16.69/minimum	\$17.32/minimum
All over 2,000 gallons	\$6.44/1,000 gallons	\$6.75/1,000 gallons

As of December 31, 2012, the City had approximately 2,710 water customers and 2,659 sewer customers.

INTERNAL CONTROL AND COMPLIANCE SECTION

CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

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-2012-216-00276	\$ 9,300	\$ 24,954	\$ 15,654	\$ -
	20.600	TEN-2013-216-00276	-	-	3,845	3,845
Total Highway Safety Administration			9,300	24,954	19,499	3,845
U.S. Department of Justice:						
Justice Assistance Grant						
Byrne Vest Program	16.580		-	2,780	2,780	-
Total Department of Justice			-	2,780	2,780	-
U.S. Department of Transportation:						
Pass-through from Georgia Department of Transportation - Highway Planning and Construction						
	20.205	TEE-008-00(085)	101,334	101,334	-	-
Pass-through from Georgia Department of Natural Resources - Recreational Trails Program						
	20.219	NRT-08(08)	-	-	100,000	100,000
Total Department of Transportation			101,334	101,334	100,000	100,000
U.S. Department of Housing & Urban Development -						
Pass-through from Georgia Department of Community Affairs - Community Development Block Grant						
	14.228	10p-x-023-2-5226	-	499,500	499,500	-
Total Housing & Urban Development			-	499,500	499,500	-
Appalachian Regional Commission:						
Appalachian Area Development Project						
	11.300	GA-17027	-	-	89,201	89,201
	11.300	GA-17028	-	-	7,904	7,904
Total Appalachian Regional Commission			-	-	97,105	97,105
Total Federal Awards			\$ 110,634	\$ 628,568	\$ 718,884	\$ 200,950

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:**

Except as discussed below, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units (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, 2012, and the related notes to the financial statements, which collectively comprise the City of Fort Oglethorpe, Georgia's basic financial statements, and have issued our report thereon dated May 15, 2013. 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.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Johnson, Nicky & Menckem, P.C.

May 15, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR 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:**

Report on Compliance for Each Major Federal Program

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, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Fort Oglethorpe, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. 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 of Fort Oglethorpe, Georgia'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Fort Oglethorpe, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Fort Oglethorpe, Georgia complied, in all material respects, with the types of 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, 2012.

Report on Internal Control Over Compliance

Management of City of Fort Oglethorpe, Georgia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Fort Oglethorpe, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 of Fort Oglethorpe, Georgia'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Johnson, Niskey & Meucham, P.C.

May 15, 2013

**CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 program tested as a major program was:

CFDA #14.228 Community Development Block Grant

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, 2012, and have issued our report thereon dated May 15, 2013. 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, 2012. 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, 2012, 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.

May 15, 2013

**CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

PROJECT	ORIGINAL	REALLOCATIONS	REVISED	EXPENDITURES			PERCENTAGE
	ESTIMATED COST		ESTIMATED COST	PRIOR YEARS	CURRENT YEAR	TOTAL	OF COMPLETION
Catoosa County Special							
Local Option Sales Tax -							
2009 Cycle							
Debt reduction for sewer bonds	3,395,245	-	3,395,245	1,301,345	679,314	1,980,659	58%
Lease payments on public safety vehicles	516,011	-	516,011	206,399	155,090	361,489	70%
Streets and trails	700,000	322,402	1,022,402	594,540	427,862	1,022,402	100%
Building renovations and improvements	2,000,000	(322,402)	1,677,598	100,440	222,430	322,870	19%
GIS and IT projects	350,000	-	350,000	19,813	-	19,813	6%
Vehicles and equipment	150,744	-	150,744	50,688	56,001	106,689	71%
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	-	75,800	75,800	103%
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>\$ 7,465,250</u>	<u>\$ (9,167)</u>	<u>\$ 7,456,083</u>	<u>\$ 2,420,826</u>	<u>\$ 1,616,497</u>	<u>\$ 4,037,323</u>	
Reconciliation of current year expenditures -							
Total capital projects expenditures					829,386		
Capital projects for water and sewer fund					<u>787,111</u>		
					<u>\$ 1,616,497</u>		

