



CITY OF EUHARLEE, GEORGIA

**Annual Financial Report
For the Year Ended
December 31, 2011**

By Authority of the Mayor and City Council

CITY OF EUHARLEE, GEORGIA
Annual Financial Report
for the
Fiscal Year Ended December 31, 2011

By Authority of
The Mayor and City Council

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CITY OF EUHARLEE, GEORGIA
Annual Financial Report
Year Ended December 31, 2011

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FINANCIAL SECTION



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LLOYD WILLIAMSON
CHRISTIAN HATCH

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council
Of the City of Euharlee, Georgia

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Euharlee, Georgia, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Euharlee, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2012 on our consideration of the City of Euharlee, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City of Euharlee has not presented Management's Discussion and Analysis, supplementary information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Euharlee, Georgia's basic financial statements. The combining and individual fund financial statements and the accompanying Schedule of Special Purpose Local Option Sales Tax is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the City of Euharlee, Georgia. The information in these statements and schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williamson and Company

Williamson & Company
Certified Public Accountants
June 11, 2012

BASIC FINANCIAL STATEMENTS



CITY OF EUHARLEE, GEORGIA
Statement of Net Assets
December 31, 2011

	Primary Government
	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 1,016,384
Receivables	130,624
Restricted Cash	3,937,454
Capital Assets	
Land and Improvements	1,053,097
Construction In Progress	1,047,820
Other Capital Assets, Net of Depreciation	2,845,506
Unamortized Bond Issue Costs	57,000
Total Assets	<u>10,087,885</u>
Liabilities	
Accounts Payable	48,136
Salaries and Wages Payable	5,227
Noncurrent Liabilities	
Due Within One Year	840,783
Due In More Than One Year	1,919,353
Total Liabilities	<u>2,813,499</u>
Net Assets	
Invested In Capital Assets, Net of Related Debt	2,196,532
Restricted For	
Capital Projects	3,147,662
Debt Service	821,856
Law Enforcement Activities	21,244
Unrestricted	1,087,092
Total Net Assets	<u>\$ 7,274,386</u>

The accompanying notes are an integral part of this financial statement.

CITY OF EUHARLEE, GEORGIA
Statement of Activities
For the Year Ended December 31, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary Government					
Governmental Activities:					
General Government	\$ 380,351	\$ 20,044	\$ -	\$ 758,112	\$ 397,805
Public Safety	742,012	91,336	-	-	(650,676)
Public Works	213,510	-	-	-	(213,510)
Culture and Recreation	142,168	9,702	-	-	(132,466)
Planning and Zoning	23,552	973	-	-	(22,579)
Interest On Long-term Debt	105,654	-	-	-	(105,654)
Total Primary Government	<u>\$ 1,607,247</u>	<u>\$ 122,055</u>	<u>\$ -</u>	<u>\$ 758,112</u>	<u>(727,080)</u>

General Revenues	
Taxes	
Local Option Sales Taxes	888,413
Franchise Taxes	147,782
Insurance Premium Taxes	193,996
Alcoholic Beverage Taxes	14,626
Real Estate Transfer	1,595
Investment Earnings	18,964
Miscellaneous	30,529
Gain On Sale Of Capital Assets	3,050
Total General Revenues	<u>1,298,955</u>
Change In Net Assets	571,875
Net Assets - Beginning	<u>6,702,511</u>
Net Assets - Ending	<u>\$ 7,274,386</u>

The accompanying notes are an integral part of this financial statement.

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CITY OF EUHARLEE, GEORGIA

Balance Sheet

Governmental Funds

December 31, 2011

	General	2008 SPLOST	2009 Bond Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 1,016,384	\$ -	\$ -	\$ -	\$ 1,016,384
Receivables	77,317	53,307	-	-	130,624
Cash - Restricted	-	1,584,581	2,331,630	21,243	3,937,454
Total Assets	<u>1,093,701</u>	<u>1,637,888</u>	<u>2,331,630</u>	<u>21,243</u>	<u>5,084,462</u>
Liabilities					
Accounts Payable	48,136	-	-	-	48,136
Salaries and Wages Payable	<u>5,227</u>	-	-	-	<u>5,227</u>
Total Liabilities	<u>53,363</u>	-	-	-	<u>53,363</u>
Fund Balances					
Restricted For:					
Capital Projects	-	816,032	2,331,630	-	3,147,662
Debt Service	-	821,856	-	-	821,856
Law Enforcement	-	-	-	21,243	21,243
Unassigned	<u>1,040,338</u>	-	-	-	<u>1,040,338</u>
Total Fund Balances	<u>1,040,338</u>	<u>1,637,888</u>	<u>2,331,630</u>	<u>21,243</u>	<u>5,031,099</u>
Total Liabilities and Fund Balances	<u>\$ 1,093,701</u>	<u>\$ 1,637,888</u>	<u>\$ 2,331,630</u>	<u>\$ 21,243</u>	<u>\$ 5,084,462</u>

Reconciliation of the Balance Sheet to the
Statement of Net Assets

Total Fund Balances - Governmental Funds \$ 5,031,099

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental Capital Assets	6,392,753	
Less Accumulated Depreciation	<u>(1,446,330)</u>	4,946,423

Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Unamortized Bond Issue Costs		57,000
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Bonds Payable	(2,575,000)	
Note Payable	(166,209)	
Leases Payable	(8,682)	
Compensated Absences	<u>(10,245)</u>	<u>(2,760,136)</u>

Net Assets of Governmental Activities		<u>\$ 7,274,386</u>
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The accompanying notes are an integral part of this financial statement.

CITY OF EUHARLEE, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General Fund	2008 SPLOST Fund	2009 Bond Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,246,412	\$ -	\$ -	\$ -	\$ 1,246,412
Licenses and Permits	10,429	-	-	-	10,429
Charges for Services	20,264	-	-	12,058	32,322
Fines and Forfeitures	79,304	-	-	-	79,304
Intergovernmental	-	751,209	-	-	751,209
Investment Earnings	3,406	6,903	15,553	5	25,867
Miscellaneous Income	30,155	-	374	-	30,529
Total Revenues	<u>1,389,970</u>	<u>758,112</u>	<u>15,927</u>	<u>12,063</u>	<u>2,176,072</u>
Expenditures					
Current					
General Government	314,477	2,066	-	-	316,543
Public Safety	691,415	-	-	6,593	698,008
Public Works	128,923	9,538	-	-	138,461
Culture and Recreation	162,212	-	2,700	-	164,912
Planning and Zoning	20,649	-	-	-	20,649
Capital Outlay					
Public Works	-	8,066	-	-	8,066
Culture and Recreation	-	-	898,573	-	898,573
Debt Service					
Principal	41,779	638,791	-	-	680,570
Interest	1,692	103,962	-	-	105,654
Total Expenditures	<u>1,361,147</u>	<u>762,423</u>	<u>901,273</u>	<u>6,593</u>	<u>3,031,436</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>28,823</u>	<u>(4,311)</u>	<u>(885,346)</u>	<u>5,470</u>	<u>(855,364)</u>
Other Financing Sources (Uses)					
Proceeds From Disposal of Capital Assets	3,050	-	-	-	3,050
Proceeds From Note Issuance	-	180,000	-	-	180,000
Transfers In	11,371	-	-	-	11,371
Transfers Out	-	-	-	(11,371)	(11,371)
Total Other Financing Sources and (Uses)	<u>14,421</u>	<u>180,000</u>	<u>-</u>	<u>(11,371)</u>	<u>183,050</u>
Net Change in Fund Balances	43,244	175,689	(885,346)	(5,901)	(672,314)
Fund Balances - Beginning	<u>997,094</u>	<u>1,462,199</u>	<u>3,216,976</u>	<u>27,144</u>	<u>5,703,413</u>
Fund Balances - Ending	<u>\$ 1,040,338</u>	<u>\$ 1,637,888</u>	<u>\$ 2,331,630</u>	<u>\$ 21,243</u>	<u>\$ 5,031,099</u>

The accompanying notes are an integral part of this financial statement.

CITY OF EUHARLEE, GEORGIA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities for the Year Ended December 31, 2011

Net Change in Fund Balances \$ (672,314)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for Capital Assets	957,126	
Less Current Year Depreciation	<u>(210,271)</u>	746,855

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net Change in Long-term Compensated Absences	15,764	
Amortization Expense	<u>(19,000)</u>	(3,236)

Issuance and repayment of long-term debt is an other financing source and expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issuance Of Note Payable	(180,000)	
Principle Payment On Revenue Bonds	625,000	
Principle Payment On Note Payable	13,791	
Principle Payment On Capital Leases	<u>41,779</u>	<u>500,570</u>

Change In Net Assets Of Governmental Activities	\$ <u>571,875</u>
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The accompanying notes are an integral part of this financial statement.

CITY OF EUHARLEE, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,078,900	\$ 1,221,900	\$ 1,246,412	\$ 24,512
Licenses and Permits	10,425	10,425	10,429	4
Charges for Services	17,745	17,745	20,264	2,519
Fines and Forfeitures	43,000	79,000	79,304	304
Investment Earnings	15,000	15,000	3,406	(11,594)
Miscellaneous Income	3,050	16,276	30,155	13,879
Total Revenues	<u>1,168,120</u>	<u>1,360,346</u>	<u>1,389,970</u>	<u>29,624</u>
Expenditures				
Current				
General Government	342,488	317,088	314,477	2,611
Public Safety	687,408	688,808	691,415	(2,607)
Public Works	128,885	130,385	128,923	1,462
Culture Recreation	132,611	160,986	162,212	(1,226)
Planning and Zoning	30,225	23,950	20,649	3,301
Debt Service				
Principal	43,019	43,019	41,779	1,240
Interest	4,636	4,636	1,692	2,944
Total Expenditures	<u>1,369,272</u>	<u>1,368,872</u>	<u>1,361,147</u>	<u>7,725</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(201,152)</u>	<u>(8,526)</u>	<u>28,823</u>	<u>37,349</u>
Other Financing Sources (Uses)				
Proceeds From Asset Disposal	-	-	3,050	3,050
Transfers In	-	11,371	11,371	-
Appropriated Fund Balance	203,597	-	-	-
Total Other Financing Sources and (Uses)	<u>203,597</u>	<u>11,371</u>	<u>14,421</u>	<u>3,050</u>
Net Change In Fund Balances	2,445	2,845	43,244	40,399
Fund Balances - Beginning	<u>997,094</u>	<u>997,094</u>	<u>997,094</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 999,539</u>	<u>\$ 999,939</u>	<u>\$ 1,040,338</u>	<u>\$ 40,399</u>

The accompanying notes are an integral part of this financial statement.

CITY OF EUHARLEE, GEORGIA
Notes to the Financial Statements
December 31, 2011

Note 1. Summary of Significant Accounting Policies

The City of Euharlee operates under a Council-Manager form of government. The City provides the following services: Public Works (Streets), Public Safety (Police and Municipal Court), Culture and Recreation (Library, Museum, Parks and Other Public Facilities), and General and Administrative Services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to the governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The financial statements of the reporting entity include those of the City (the primary government) and its component units. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. As required by generally accepted accounting principles, certain potential component units are considered for inclusion in the reporting entity because of the significance of their operational or financial relationships with the City. Blended component units, although legally separate entities, are in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

There are no component units included within the reporting entity.

B. Government-wide and Fund Financial Statements

GASB-34 took effect for entities the size of the City of Euharlee during the fiscal year ending December 31, 2004. The basic financial statements include both government-wide and fund financial statements, each of which present different views of the City. The government-wide and fund financial statements categorize primary activities as either governmental or business type. Fiduciary funds are not included in the government-wide statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, permits and fines, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

In the government-wide statement of net assets governmental and business-type activities are presented on a consolidated basis and reflect full accrual, economic resources basis, which includes long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF EUHARLEE, GEORGIA
Notes to the Financial Statements
December 31, 2011

Fund financial statements emphasize major funds in either the governmental or business-type category. Non-major governmental funds (if any) are reported as a separate column in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial transactions of the City are recorded in individual funds which provide a separate set of self-balancing accounts that are comprised of assets, liabilities, reserves, fund equity, revenues and expenditures.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives the cash. In applying the susceptible to accrual concept, non-exchange transactions are recognized in accordance with GASB Statement 33.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Project-2008 SPLOST Fund* accounts for the receipt and disbursement of SPLOST resources from the 2008 referendum that are to be used to finance the acquisition and/or construction of capital assets.

The *2009 Bond Fund* accounts for the receipt and disbursement of bond proceeds that are to be used for a road improvement project and the construction of a new park within the City. The bonds are to be repaid using proceeds obtained from the 2008 SPLOST referendum.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

CITY OF EUHARLEE, GEORGIA
Notes to the Financial Statements
December 31, 2011

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund. Annual appropriations lapse at fiscal year end.

Encumbrance or commitments related to the unperformed contract for goods or services (if any) were for immaterial amounts and therefore are not reported as reservations of fund balances.

E. Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, and must be by law insured or collateralized, and investments, if any, are limited by law and bond ordinances, to federal and state securities and stated at fair value.

F. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The balances which represent receivables and payables between governmental and business-type activities are reported as internal balances. As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

G. Capital Assets

Capital assets that cost more than \$1,000 with an estimated useful life of more than one year are capitalized and depreciated. Capital assets, including property, plant, vehicles, equipment and infrastructure (streets, bridges, curbs and gutters, sidewalks, drainage and lighting systems) are reported in the governmental activities column in the government-wide statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date of acquisition. Depreciation is computed on the straight-line basis over the estimated useful life of the asset.

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

Pursuant to GASB-34 an extended period of deferral is available before the requirement to record and depreciate prior years' assets becomes effective. The recording and depreciation of new infrastructure additions is effective with implementation of the statement.

H. Compensated Absences

Vested or accumulated vacation leave, where applicable, is recorded as a liability in the governmental funds only in the government-wide financial statements.

I. Long-term Obligations

Long-term debt and other obligations are reported as a liability in the government-wide financial statements.

CITY OF EUHARLEE, GEORGIA
Notes to the Financial Statements
December 31, 2011

J. Fund Equity

The governmental fund financial statements report restricted fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The unassigned portion represents amounts available for future operations.

Note 2. Legal Compliance - Budgets

Georgia Law requires an annual balanced budget for the General Fund and all special revenue funds and a project length budget for each capital project fund. All departments of the City submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund, function (department), and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

No later than 45 days prior to the beginning of the fiscal year, the proposed budget is presented to the mayor and council for review. The council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Department heads may make transfers of appropriations within a department. The legal level of budgetary control is at the departmental level. Transfers of appropriations between departments must be approved by an affirmative vote of a majority of the council, except for emergencies as defined by the charter and unanimously voted by council. The 2011 General Fund budget was voted upon and adopted by the City Council.

For fiscal year 2011, expenditures exceeded appropriations in the following:

<u>General Fund</u>	
Public Safety	\$ 2,607
Culture and Recreation	\$ 1,226
<u>Special Revenue-Police Fund</u>	
Public Safety	\$ 93

Note 3. Deposits and Investments

Cash includes amounts in demand and time deposits that must be by law insured or collateralized, and investments, if any, are limited by law and bond ordinances, to federal and state securities. At year end the government's carrying amount of deposits was \$4,953,838 and the bank balance was \$5,093,950. As of December 31, 2011, \$483,881 of the City's demand deposits was FDIC insured with the remainder collateralized in accordance with O.C.G.A §45-8-12.

The City's investments are categorized as either (1) insured or collateralized with securities held by the City or its agent in the City's name, (2) collateralized with securities held by the pledging financial institutions trust department or agent in the City's name or (3) uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name.

Statement of Net Assets

Cash	\$ 1,016,384
Restricted Cash	<u>3,937,454</u>
Total	<u>\$ 4,953,838</u>

The City has no investments other than cash and certificates of deposit.

CITY OF EUHARLEE, GEORGIA
Notes to the Financial Statements
December 31, 2011

Note 4. Receivables

Receivables as of yearend for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

<u>Receivables</u>	<u>General Fund</u>	<u>2008 SPLOST</u>	<u>Total</u>
Sales Tax	\$ 77,317	\$ -	\$ 77,317
Intergovernmental	-	53,307	53,307
Less: Allowance for Uncollectibles	-	-	-
Net Total Receivables	<u>\$ 77,317</u>	<u>\$ 53,307</u>	<u>\$ 130,624</u>

Note 5. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds:

Interfund receivables/payables consist of routine transfers for payroll and related benefits that are reimbursed on a monthly basis. As of December 31, 2011 there were no interfund receivables or payables.

Transfers and Payments:

Routine transfers and payments between funds are to subsidize operations and capital asset acquisition. Interfund transfers for the year ending December 31, 2011 were as follows:

Between Governmental Funds:

<u>Source</u>	<u>Transfer To Fund</u>	<u>Amount</u>
Library Fund	General Fund	<u>\$ 11,371</u>

CITY OF EUHARLEE, GEORGIA
Notes to the Financial Statements
December 31, 2011

Note 6. Capital Assets

The following is a summary of the primary government capital asset activity during the fiscal year:

<i>Governmental Activities</i>	Balance January 1	Additions	Deletions	Transfers In/(Out)	Balance December 31
<i>Capital Assets, Not Being Depreciated</i>					
Land	\$ 1,053,097	\$ -	\$ -	\$ -	\$ 1,053,097
Construction In Progress	141,181	906,639	-	-	1,047,820
Total Capital Assets, Not Being Depreciated	1,194,278	906,639	-	-	2,100,917
<i>Capital Assets Being Depreciated</i>					
Buildings	1,598,955	10,552	-	-	1,609,507
Equipment	830,745	17,760	(12,800)	-	835,705
Infrastructure	1,824,449	22,175	-	-	1,846,624
Total Capital Assets Being Depreciated	4,254,149	50,487	(12,800)	-	4,291,836
<i>Less Accumulated Depreciation For:</i>					
Buildings	(317,140)	(51,531)	-	-	(368,671)
Equipment	(507,852)	(85,588)	12,800	-	(580,640)
Infrastructure	(423,867)	(73,152)	-	-	(497,019)
Total Accumulated Depreciation	(1,248,859)	(210,271)	12,800	-	(1,446,330)
Total Capital Assets Being Depreciated, Net	3,005,290	(159,784)	-	-	2,845,506
Total Capital Assets, Net	\$ 4,199,568	\$ 746,855	\$ -	\$ -	\$ 4,946,423

During the year the City spent \$896,319 on the Joe Cowan Park project being funded by the proceeds from the 2009 Urban Redevelopment Agency Revenue Bonds. The City also began the planning phase of the Historic Village Center and the Riverside Park Project.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Administration	\$ 48,260
Public Safety	54,173
Public Works	92,538
Culture and Recreation	11,987
Planning and Zoning	3,313
Total	<u>\$ 210,271</u>

The following estimated useful lives are used to compute depreciation (straight-line method):

Equipment	3-10 years
Buildings	20-50 years
Infrastructure	20-75 years

CITY OF EUHARLEE, GEORGIA
Notes to the Financial Statements
December 31, 2011

Note 7. Lease Obligations

Capital Leases. In 2009 the City entered into three separate lease agreements with Bank of Ozarks (formerly Unity National Bank) bearing interest at 5.25% for the acquisition of six vehicles to be used for City services. The vehicles under this agreement have costs of \$117,772 and accumulated depreciation of \$47,109.

The following is a schedule of the future minimum lease payments under capital leases, and the present value of the net minimum lease payments as of December 31, 2011:

<u>Year Ending December 31</u>	<u>General Fund</u>
2012	<u>9,301</u>
Total Minimum Lease Payments For All Capital Leases	\$ 9,301
Less Interest	<u>(619)</u>
Present Value of Minimum Lease Payments	<u>\$ 8,682</u>

Note 8. Long-term Debt

In 2009 the City issued \$3,500,000 in Urban Redevelopment Agency revenue bonds in order to fund various City projects within the constraints of the bond covenants. The bonds mature in 2014 and are to be repaid with amounts collected from Bartow County representing the City's portion of the 2008 SPLOST referendum.

<u>Revenue Bonds</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Last Payment</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Series 2009 Urban Redevelopment Agency Revenue Bonds	3.50%	9/17/2009	4/1/2014	\$ 3,500,000	<u>\$ 2,575,000</u>

The following schedule presents debt service requirements to maturity for the City's revenue bonds:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 805,000	\$ 76,038
2013	845,000	47,161
	<u>925,000</u>	<u>1,688</u>
Total	<u>\$ 2,575,000</u>	<u>\$ 124,887</u>

CITY OF EUHARLEE, GEORGIA
Notes to the Financial Statements
December 31, 2011

On January 14, 2011, the City obtained a note payable from the Georgia Environmental Finance Authority in the amount of \$180,000 for the land purchase associated with the Joe Cowan recreational complex. The note matures in 2021 and is currently being repaid with amounts collected from Bartow County representing the City's portion of the 2008 SPLOST referendum.

<u>Note Payable</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Last Payment</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2011 Georgia Environmental Finance Authority	2.00%	1/14/2011	1/1/2021	\$ 180,000	<u>\$ 166,209</u>

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 16,856	\$ 3,170
2013	17,196	2,830
2014	17,543	2,483
2015	17,897	2,129
2016	18,258	1,768
2017-2021	<u>78,459</u>	<u>3,323</u>
Total	<u>\$ 166,209</u>	<u>\$ 12,380</u>

The following is long – term debt activity for the year ended December 31, 2011:

<u>Governmental Activities:</u>	<u>Beginning Balance January 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance December 31, 2011</u>	<u>Due Within One Year</u>
Bonds Payable	\$ 3,200,000	\$ -	\$ 625,000	\$ 2,575,000	\$ 805,000
Note Payable	-	180,000	13,791	166,209	16,856
Capital Leases Payable	50,461	-	41,779	8,682	8,682
→ Compensated Absences	<u>26,009</u>	<u>25,681</u>	<u>41,445</u>	<u>10,245</u>	<u>10,245</u>
Total Long-term Liabilities	<u>\$ 3,276,470</u>	<u>\$ 25,681</u>	<u>\$ 708,224</u>	<u>\$ 2,593,927</u>	<u>\$ 823,927</u>

All compensated absences are liquidated in the General Fund.

Note 9. Fund Balance/Net Assets

Restrictions are used to indicate that a portion of the fund balances and net assets are not available for expenditures or expenses and are legally segregated for a specific future use. The City uses the following restrictions:

Restricted for Capital Projects – Created to segregate monies received from federal, state, or local sources that restrict use for specific capital projects. These are accounted for in the 2008 SPLOST Fund, the 2009 Bond Fund, and the Library Fund.

Restricted for Law Enforcement – Created to segregate monies received from sale or seizure of assets acquired through confiscations or through administrative fees charged to the General Fund for law enforcement operations. These are accounted for in the Police Fund and the Information Technology Fund.

CITY OF EUHARLEE, GEORGIA
Notes to the Financial Statements
December 31, 2011

Note 10. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

During the past three years, the costs of any settlements have not exceeded insurance coverage.

Note 11. Other Information

Vacation Leave, Sick Leave, and Comp Time

Employees are granted vacation, sick leave, and comp time in varying amounts. Vacation benefits accrued are based on an employee's length of time with the City. Employees are allowed to carry up to one work week (40 Hours) of unused vacation time over at the end of the year. Under certain circumstances, with management approval, employees can carry over amounts in excess of the one week threshold. Sick leave is accumulated at one day for every two months of service. An employee can carry up to 60 days forward and does not receive payment for unused sick leave upon separation from the City. City employees can also accrue "comp time", which is time accumulated for work performed in excess of the regular work week that has not been paid. These amounts are not limited because they are amounts owed for actual work performed.

Note 12. Deferred Compensation Plan

In March of 2008 the City began offering its employees the option of enrolling in a 457(b) deferred compensation plan administered by The Variable Annuity Life Insurance Company, which is a subsidiary of American International Group, Inc. The plan allows participating employees to select from a diversified range of investment options and make weekly pre-tax contributions based on the participant's enrollment selection. The City does not offer a matching contribution for this plan. As of December 31, 2011 there were 6 employees participating in the plan.

The City of Euharlee also utilizes a defined contribution plan. The City contributes 4% of each employee's salary into a 401(k) plan that is also administered by The Variable Annuity Life Insurance Company. As of December 31, 2011 the City's total matching contribution for the plan was \$20,930. City Council authorizes the provisions, requirements, and any amendments to the defined contribution plan.

CITY OF EUHARLEE, GEORGIA
Notes to the Financial Statements
December 31, 2011

Note 13. Joint Venture

The City of Euharlee is a member of the Coosa Valley Regional Commission (CVRC). The CVRC was created under the laws of the State of Georgia and cities and counties in the area served by the CVRC are required to be members. The membership of the CVRC includes 10 counties and 35 municipalities. Bartow County pays annual membership dues on behalf of the City. The City has no equity interest in the CVRC, nor does the City materially contribute to the continued existence of the CVRC. The Official Code of Georgia Annotated Section §50-8-39.1 states that in the event the CVRC ceases operation, the members can be assessed for any debt or obligation of the CVRC. Separate financial statements may be obtained from: Coosa Valley Regional Commission, P. O. Box 1793, Rome, Georgia 30162.

Note 14. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Note 15. Special Purpose Local Option Sales Tax

In 2007, Bartow County voters passed a referendum on the question of "yes/no" shall a special one percent sales and use tax be imposed in Bartow County for a period of time not to exceed 24 calendar quarters. Actual collection of the tax began April 1, 2008. The City of Euharlee's distributive share of the revenue was projected to be \$7,200,000 and used for the acquisition of land for, and construction of, a park and recreational complex, preservation and renovation of the City's historical buildings, and repair and improvements to the City's roads and streets.

Note 16. Construction Commitments

As of December 31, 2011, the City had one project in progress that it considers to be a significant commitment. Joe Cowan Park is a recreational complex that is being financed by proceeds of the 2009 Urban Redevelopment Agency Revenue Bonds. Total amounts spent on the project as of December 31, 2011 and project length appropriations are as follows:

<u>Project Type</u>	<u>Spent To Date</u>	<u>Amount Appropriated</u>
Joe Cowan Park	<u>\$ 1,037,500</u>	<u>\$ 2,900,000</u>
Total Commitments	<u>\$ 1,037,500</u>	<u>\$ 2,900,000</u>

Note 17. Other Post Employment Benefits

The City does not offer any post retirement benefits other than the deferred compensation plans described in Note 12.

INDIVIDUAL AND COMBINING SCHEDULES AND STATEMENTS



CITY OF EUHARLEE, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2008 SPLOST Fund
From Inception and for the Year Ended December 31, 2011

	Actual			Project Authorization
	Prior Years	Current Year	Total to Date	
Revenues				
Intergovernmental	\$ 2,196,628	\$ 751,209	\$ 2,947,837	\$ 7,200,000
Investment Earnings	1,410	6,903	8,313	-
Total Revenues	<u>2,198,038</u>	<u>758,112</u>	<u>2,956,150</u>	<u>7,200,000</u>
Expenditures				
Current				
General Government	10,149	2,066	12,215	-
Public Works	6,238	9,538	15,776	-
Culture and Recreation	232	-	232	-
Capital Outlays				
Public Safety	-	-	-	730,000
Public Works	53,109	-	53,109	2,485,000
Culture and Recreation	<u>352,695</u>	<u>8,066</u>	<u>360,761</u>	<u>585,000</u>
Debt Service				
Principal	300,000	638,791	938,791	3,500,000
Interest	<u>122,014</u>	<u>103,962</u>	<u>225,976</u>	-
Total Expenditures	<u>844,437</u>	<u>762,423</u>	<u>1,606,860</u>	<u>7,200,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,353,601</u>	<u>(4,311)</u>	<u>1,349,290</u>	-
Other Financing Sources (Uses)				
Proceeds From Note Issuance	-	180,000	180,000	-
Transfers In	<u>114,639</u>	-	<u>114,639</u>	-
Total Other Financing Sources (Uses)	<u>114,639</u>	<u>180,000</u>	<u>294,639</u>	-
Net Change in Fund Balance	<u>\$ 1,468,240</u>	175,689	<u>\$ 1,463,929</u>	\$ -
Fund Balance - Beginning of Year		<u>1,462,199</u>		
Fund Balance - End of Year		<u>\$ 1,637,888</u>		

CITY OF EUHARLEE, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2009 Bond Fund
From Inception and for the Year Ended December 31, 2011

	Actual			Project Authorization
	Prior Years	Current Year	Total to Date	
Revenues				
Investment Earnings	\$ 2,844	\$ 15,553	\$ 18,397	\$ -
Miscellaneous	10	374	384	-
Total Revenues	<u>2,854</u>	<u>15,927</u>	<u>18,781</u>	<u>-</u>
Expenditures				
Current				
General Government	134,920	-	134,920	100,000
Public Works	98,013	-	98,013	-
Culture and Recreation	-	2,700	2,700	-
Capital Outlays				
Public Works	22,874	-	22,874	500,000
Culture and Recreation	160,010	898,573	1,058,583	2,900,000
Total Expenditures	<u>415,817</u>	<u>901,273</u>	<u>1,317,090</u>	<u>3,500,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(412,963)</u>	<u>(885,346)</u>	<u>(1,298,309)</u>	<u>(3,500,000)</u>
Other Financing Sources				
Proceeds From Bond Issuance	<u>3,500,000</u>	-	<u>3,500,000</u>	<u>3,500,000</u>
Total Other Financing Sources	<u>3,500,000</u>	-	<u>3,500,000</u>	<u>3,500,000</u>
Net Change in Fund Balance	<u>\$ 3,087,037</u>	<u>(885,346)</u>	<u>\$ 2,201,691</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>3,216,976</u>		
Fund Balance - End of Year		<u>\$ 2,331,630</u>		

CITY OF EUHARLEE, GEORGIA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2011

	Nonmajor Capital Projects	Nonmajor Special Revenue Funds		Total Nonmajor Governmental Funds
	Library Fund	Police Fund	Information Technology Fund	
Assets				
Cash - Restricted	\$ -	\$ 2,136	\$ 19,107	\$ 21,243
Total Assets	-	2,136	19,107	21,243
Liabilities and Fund Balances				
Liabilities	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balances				
Restricted For				
Law Enforcement	-	2,136	19,107	21,243
Total Fund Balances	-	2,136	19,107	21,243
Total Liabilities and Fund Balances	\$ -	\$ 2,136	\$ 19,107	\$ 21,243

CITY OF EUHARLEE, GEORGIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2011

	Nonmajor Capital Projects	Nonmajor Special Revenue Funds		Total Nonmajor Governmental Funds
	Library Fund	Police Fund	Information Technology Fund	
Revenues				
Charges For Services	\$ -	\$ 6,430	\$ 5,628	\$ 12,058
Investment Earnings	4	-	1	5
Total Revenues	4	6,430	5,629	12,063
Expenditures				
Public Safety	-	6,593	-	6,593
Total Expenditures	-	6,593	-	6,593
Excess (Deficiency) of Revenues Over (Under) Expenditures	4	(163)	5,629	5,470
Other Financing Sources (Uses)				
Transfers Out	(11,371)	-	-	(11,371)
Total Other Financing Sources (Uses)	(11,371)	-	-	(11,371)
Net Change in Fund Balances	(11,367)	(163)	5,629	(5,901)
Fund Balance - Beginning of Year	11,367	2,299	13,478	27,144
Fund Balance - End of Year	\$ -	\$ 2,136	\$ 19,107	\$ 21,243

CITY OF EUHARLEE, GEORGIA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Library Fund
From Inception and for the Year Ended December 31, 2011

	Actual			Project Authorization
	Prior Years	Current Year	Total to Date	
Revenues				
Intergovernmental	\$ 300,000	\$ -	\$ 300,000	\$ 300,000
Investment Earnings	13,950	4	13,954	-
Total Revenues	313,950	4	313,954	300,000
Expenditures				
Capital Outlays				
Culture and Recreation	302,583	-	302,583	300,000
Total Expenditures	302,583	-	302,583	300,000
Excess of Revenues Over Expenditures	11,379	4	11,371	-
Other Financing Uses				
Transfers Out	-	(11,371)	(11,371)	-
Net Change in Fund Balance	\$ 11,379	(11,367)	\$ 11,371	\$ -
Fund Balance - Beginning of Year		11,367		
Fund Balance - End of Year		\$ -		

CITY OF EUHARLEE, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Special Revenue Fund - Police Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges For Services	\$ 6,500	\$ 6,500	\$ 6,430	\$ (70)
Total Revenues	<u>6,500</u>	<u>6,500</u>	<u>6,430</u>	<u>(70)</u>
Expenditures				
Public Safety	<u>6,500</u>	<u>6,500</u>	<u>6,593</u>	<u>(93)</u>
Total Expenditures	<u>6,500</u>	<u>6,500</u>	<u>6,593</u>	<u>(93)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(163)</u>	<u>(163)</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>(163)</u>	<u>(163)</u>
Fund Balance - Beginning of Year	<u>2,299</u>	<u>2,299</u>	<u>2,299</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 2,299</u>	<u>\$ 2,299</u>	<u>\$ 2,136</u>	<u>\$ (163)</u>

CITY OF EUHARLEE, GEORGIA
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund - Information Technology Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Charges for Services	\$ 4,600	\$ 4,600	\$ 5,628	\$ 1,028
Investment Earnings	-	-	1	1
Total Revenues	4,600	4,600	5,629	1,029
Expenditures				
Capital Outlay - Public Safety	11,000	11,000	-	11,000
Total Expenditures	11,000	11,000	-	11,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,400)	(6,400)	5,629	12,029
Other Financing Sources (Uses)				
Appropriated Fund Balance	6,400	6,400	-	-
Total Other Financing Sources (Uses)	6,400	6,400	-	-
Net Change in Fund Balance	-	-	5,629	5,629
Fund Balance - Beginning of Year	13,478	13,478	13,478	-
Fund Balance - End of Year	\$ 13,478	\$ 13,478	\$ 19,107	\$ 5,629

COMPLIANCE SECTION



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

The Honorable Mayor and City Council
City of Euaharlee, Georgia

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Euaharlee, Georgia as of and for the year ended December 31, 2011, which collectively comprise the City of Euaharlee, Georgia's basic financial statements and have issued our report thereon dated June 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Euaharlee, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 11-1.

The City of Euharlee, Georgia's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Euharlee, Georgia's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the City of Euharlee in a separate letter dated June 11, 2012.

This report is intended solely for the information and use of the Mayor, City Council, and Management, and is not intended to be and should not be used by anyone other than these specified parties.

Williamson and Company

Williamson & Company
Certified Public Accountants
June 11, 2012

CITY OF EUHARLEE, GEORGIA
Schedule of Findings and Responses
December 31, 2011

Finding 11-1 Debt Covenant Compliance

Criteria: As stipulated in the note payable agreement with the Georgia Environmental Finance Authority (GEFA), the City is required to establish a restricted debt service reserve account to secure the loan obtained through GEFA in 2011.

Condition: As of December 31, 2011, the City had not established the required debt service account.

Effect: As of December 31, 2011 the City was not compliant with the special conditions contained in the debt agreement with GEFA.

Cause: Oversight by management.

Recommendation: We recommend the City establish a separate debt service reserve account in the General Fund at the amounts required by GEFA in order to achieve compliance with the terms of the note payable obtained in 2011.

Management's Response: The City is in the process of selecting a financial institution to establish the required reserve account set forth in the debt agreement with GEFA. For future debt issuances, City management will obtain clear instructions on any restrictions or covenants that are to be adhered to in order to maintain its compliance throughout the maturity of the applicable debt.

CITY OF EUHARLEE, GEORGIA
Schedule of Special Purpose Local Option Sales Tax
Year Ended December 31, 2011

Project Description	Estimated Costs		Expenditures		
	Original	Current	Prior Years	Current Year ⁽¹⁾	Total
2008 SPLOST					
Land for Park and Recreational Complex	\$ 200,000	\$ 200,000	\$ 336,380	\$ -	\$ 336,380
Construction of Park and Recreation Complex	2,785,000	2,785,000	84,990	909,339	994,329
Street Repair and Improvements; Installation of Sidewalks	2,985,000	2,985,000	104,701	9,538	114,239
Capital Expenditures for the Emergency Mitigation and Training Facility	400,000	400,000	7,682	-	7,682
Land Acquisition for Public Safety Department	330,000	330,000	-	-	-
Historical Building Renovation	500,000	500,000	16,575	-	16,575
Construction of New Library	-	-	6,041	-	6,041
General Government Administrative Expenses	-	-	1,099	2,066	3,165
Total 2008 SPLOST	<u>\$ 7,200,000</u>	<u>\$ 7,200,000</u>	<u>\$ 557,468</u>	<u>\$ 920,943</u>	<u>\$ 1,478,411</u>

Current year expenditures are different from page 8 because \$129,004 was spent on SPLOST projects using bond proceeds from the bond fund. Also, the SPLOST fund makes the bond payments which are not included in this schedule.

This SPLOST Schedule is prepared on the accrual basis of accounting.

CITY OF EUHARLEE
FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2011

1. Page 1 "Independent Auditor's Report" is unqualified.

	<u>12/31/08</u>	<u>12/31/09</u>	<u>12/31/10</u>	<u>12/31/11</u>	Increase (Decrease) From 10 to 11
2. <u>Statement of Net Assets</u>					
<u>Assets</u>					
Total Cash and Receivables	\$ 1,509,264	\$ 5,612,280	\$ 5,707,219	\$ 5,084,462	\$ (622,757)
Capital Assets, Net	4,098,572	4,103,116	4,199,568	4,946,423	746,855
Unamortized Issue Costs	-	95,000	76,000	57,000	(19,000)
<u>Liabilities</u>					
Accounts and Other Payables	11,159	31,249	3,806	53,363	49,557
Noncurrent Liabilities	-	3,610,854	3,276,470	2,760,136	(516,334)
<u>Net Assets</u>	<u>\$ 5,596,677</u>	<u>\$ 6,168,293</u>	<u>\$ 6,702,511</u>	<u>\$ 7,274,386</u>	<u>\$ 571,875</u>

	<u>12/31/08</u>	<u>12/31/09</u>	<u>12/31/10</u>	<u>12/31/11</u>	
3. <u>Cash Balances</u>					
General Fund	\$ 790,483	\$ 835,068	\$ 927,498	\$ 1,016,384	\$ 88,886
SPLOST 2003	114,990	-	-	-	-
SPLOST 2008	449,587	1,263,326	1,405,839	1,584,581	178,742
Bond Fund	-	3,351,658	3,216,976	2,331,630	(885,346)
Library	11,341	11,355	11,367	-	(11,367)
Police Fund	5,885	4,294	2,299	2,136	(163)
Tech Fund	4,749	9,464	13,478	19,107	5,629
	<u>\$ 1,377,035</u>	<u>\$ 5,475,165</u>	<u>\$ 5,577,457</u>	<u>\$ 4,953,838</u>	<u>\$ (623,619)</u>

	<u>12/31/08</u>	<u>12/31/09</u>	<u>12/31/10</u>	<u>12/31/11</u>	
4. <u>Fund Balances</u>					
General Fund	\$ 991,551	\$ 884,333	\$ 997,094	\$ 1,040,338	\$ 43,244
SPLOST 2003	114,990	2,468	-	-	-
SPLOST 2008	449,587	1,325,991	1,462,199	1,637,888	175,689
Bond Fund	-	3,343,126	3,216,976	2,331,630	(885,346)
Library	11,341	11,355	11,367	-	(11,367)
Police Fund	5,885	4,294	2,299	2,136	(163)
Tech Fund	4,749	9,464	13,478	19,107	5,629
Total Governmental Fund Balances			<u>\$ 5,703,413</u>	<u>\$ 5,031,099</u>	<u>\$ (672,314)</u>

	<u>2009</u>	<u>2010</u>	<u>2011</u>	Variance From <u>2010</u>
5. <u>Tax Revenue Comparison</u>				
Local Option Sales Taxes	\$ 854,015	\$ 916,786	\$ 888,413	\$ (28,373)
Special Local Option Sales	780,850	795,020	751,209	(43,811)
Franchise Taxes	137,175	134,191	147,782	13,591
Insurance Premium Taxes	177,862	172,692	193,996	21,304
Alcoholic Beverage Taxes	6,270	4,510	14,626	10,116
Real Estate Transfer	718	2,068	1,595	(473)
	<u>\$ 1,956,890</u>	<u>\$ 2,025,267</u>	<u>\$ 1,997,621</u>	<u>\$ (27,646)</u>

(27,646)	Decrease
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