

**CITY OF FORT VALLEY, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**For the fiscal year ended**  
**September 30, 2012**

**City of Fort Valley, Georgia  
Annual Financial Report  
For The Year Ended September 30, 2012**

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## **FINANCIAL SECTION**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Fort Valley, Georgia's ("the City") annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements, schedules and note disclosures following this section.

### Financial Highlights

- The City's assets exceeded its liabilities by \$6,647,247 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$4,223,402 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of \$464,300 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws or regulations.
  - (3) Unrestricted net assets of \$1,959,545 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental funds reported total ending fund balance of \$3,051,953 this year. This compares to the prior year ending fund balance of \$2,663,319 showing an increase of \$388,634 during the current year.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,206,669 or 45% of total general fund expenditures.

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

### Overview of the Financial Statements

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

### Government-wide Financial Statements

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

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

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

An important purpose of the design of the *Statement of Activities* is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, judicial, public safety, public works, culture and recreation, and housing and development. Business-type activities include the sanitation program.

The government-wide financial statements are presented on pages 16 - 18 of this report.

### ***Fund Financial Statements***

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

The City has three kinds of funds:

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

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

The basic financial statements also include a budgetary comparison statement for the general fund.

The basic governmental fund financial statements are presented on pages 19 - 23 of this report.

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

The *proprietary fund* is reported in the fund financial statements and generally reports sanitation services for which the City charges customers a fee. The City's proprietary fund is classified as an enterprise fund. This enterprise fund essentially encompasses the same functions reported as business-type activities in the government-wide statements.

The basic enterprise fund financial statements are presented on pages 24 – 26 of this report.

The *fiduciary fund* type is a library endowment trust fund which provides resources to the library and its statements are presented on pages 27 and 28.

The combining statements for the discretely presented component units are presented on pages 29 and 30.

### ***Notes to the Basic Financial Statements***

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 31 of this report.

**Supplementary Information**

Combining and comparative individual statements and schedules for non-major funds are presented as supplementary information in this report beginning on page 62.

**Financial Analysis of the City as a Whole**

The City's net assets at fiscal year-end are \$6,647,247. The following table provides a summary of the City's net assets:

**Summary of Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Assets:</b>						
Current assets	\$ 3,280,886	\$ 3,043,615	\$ 299,282	\$ 196,323	\$ 3,580,168	\$ 3,239,938
Capital assets	4,117,489	3,789,876	307,994	219,524	4,425,483	4,009,400
<b>Total assets</b>	<b>\$ 7,398,375</b>	<b>\$ 6,833,491</b>	<b>\$ 607,276</b>	<b>\$ 415,847</b>	<b>\$ 8,005,651</b>	<b>\$ 7,249,338</b>
<b>Liabilities:</b>						
Current liabilities	\$ 298,748	\$ 437,496	\$ 679,858	\$ 516,771	\$ 978,606	\$ 954,267
Long-term liabilities	318,790	302,441	61,008	80,022	379,798	382,463
<b>Total liabilities</b>	<b>\$ 617,538</b>	<b>\$ 739,937</b>	<b>\$ 740,866</b>	<b>\$ 596,793</b>	<b>\$ 1,358,404</b>	<b>\$ 1,336,730</b>
<b>Net assets:</b>						
Invested in capital assets, net of debt	\$ 4,117,489	\$ 3,789,876	\$ 105,913	\$ 126,178	\$ 4,223,402	\$ 3,916,054
Restricted-Capital Projects	462,287	539,080	-	-	462,287	539,080
Restricted-Program Purposes	2,013	3,987	-	-	2,013	3,987
Unrestricted	2,199,048	1,760,611	(239,503)	(307,124)	1,959,545	1,453,487
<b>Total net assets</b>	<b>\$ 6,780,837</b>	<b>\$ 6,093,554</b>	<b>\$ (133,590)</b>	<b>\$ (180,946)</b>	<b>\$ 6,647,247</b>	<b>\$ 5,912,608</b>

The City continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 10.9 to 1, as compared to 6.9 to 1 at September 30, 2011. The current ratio for the business-type activities at September 30, 2012 is .44 to 1 as compared to .38 to 1 at September 30, 2011. For the City overall, the current ratio is 3.7 to 1 as compared to 3.4 to 1 at September 30, 2011.

The City reported positive balances in net assets for governmental activities and negative balances in net assets for the business-type activities. Net assets increased \$687,283 for governmental activities and increased by \$47,356 for business-type activities. The City's overall financial position improved by \$734,639 over the prior year.

Note that approximately 60.7% of the governmental activities' net assets are tied up in capital. This compares to 62.1% at September 30, 2011. The City uses these capital assets to provide services to its citizens. However, with business-type activities, the City has spent 44.2% of its net assets on capital assets as compared to approximately 69.7% at September 30, 2011. Capital assets in the business-type activities provide sanitation services, but they also generate revenues for this fund. 63.5% of the City's total net assets are included in capital assets as compared to 66.2% at September 30, 2011.

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

**Summary of Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Revenues						
Program:						
Charges for services	\$ 462,058	\$ 470,180	\$ 958,328	\$ 1,036,348	\$ 1,420,386	\$ 1,506,528
Operating grants	72,826	133,872	-	-	72,826	133,872
Capital grants & contributions	377,387	201,414	12,000	-	389,387	201,414
General:						
Taxes	4,624,546	4,672,916	-	-	4,624,546	4,672,916
Intergovernmental	193,586	175,000	-	-	193,586	175,000
Other	19,964	51,373	938	1,114	20,902	52,487
<b>Total revenues</b>	<b>5,750,367</b>	<b>5,704,755</b>	<b>971,266</b>	<b>1,037,462</b>	<b>6,721,633</b>	<b>6,742,217</b>
Program expenses:						
General government	\$ 642,872	\$ 621,140	\$ -	\$ -	\$ 642,872	\$ 621,140
Judicial	53,239	53,767	-	-	53,239	53,767
Public safety	2,960,145	3,019,756	-	-	2,960,145	3,019,756
Public works	956,781	878,827	-	-	956,781	878,827
Culture and recreation	354,533	373,391	-	-	354,533	373,391
Housing and development	95,514	137,741	-	-	95,514	137,741
Interest	-	-	-	-	-	-
Sanitation	-	-	923,910	1,019,942	923,910	1,019,942
<b>Total expenses</b>	<b>5,063,084</b>	<b>5,084,622</b>	<b>923,910</b>	<b>1,019,942</b>	<b>5,986,994</b>	<b>6,104,564</b>
Excess (deficiency)	687,283	620,133	47,356	17,520	734,639	637,653
Transfers	-	-	-	-	-	-
Net changes in net assets	687,283	620,133	47,356	17,520	734,639	637,653
Beginning net assets	6,093,554	5,473,421	(180,946)	(198,466)	5,912,608	5,274,955
Prior period adjustments	-	-	-	-	-	-
Ending net assets	<b>\$ 6,780,837</b>	<b>\$ 6,093,554</b>	<b>\$ (133,590)</b>	<b>\$ (180,946)</b>	<b>\$ 6,647,247</b>	<b>\$ 5,912,608</b>

**GOVERNMENTAL REVENUES**

In total, taxes make up 80.4% of the total revenues stream. This percentage compares to 81.9% in 2011. Property taxes make up 28.8% of revenues and the local option sales taxes make up 21.8% of total revenues. These percentages compare to 31.5% and to 20.8% respectively for 2011.

Because of the decline in the economy, interest rates have dropped allowing the City to earn only \$13,767 in interest earnings to support governmental activities as compared to \$18,999 in 2011. Also, note that program revenues cover only 18% of governmental operating expenses. In 2011, this percentage was 15.8%. This means that the government's taxpayers and the City's other general governmental revenues fund 82% of the governmental activities as compared to 84.2% in 2011. As a result, the general economy and the success of City businesses have a major impact on the City's revenue streams.



**GOVERNMENTAL FUNCTIONAL EXPENSES**

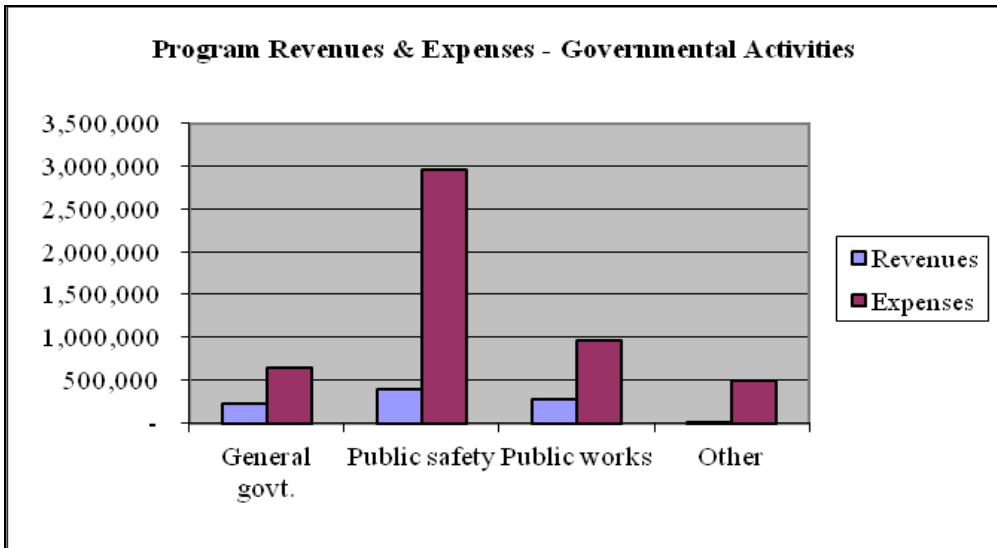
58.5% of the total costs relates to public safety. This percentage compares to 59.4% in 2011. Housing and development expenses decreased from \$137,741 to \$95,514 or 30.7% in 2012. This decrease relates to the various housing grants that the City has received which are now 100% complete.

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

**Governmental Activities**

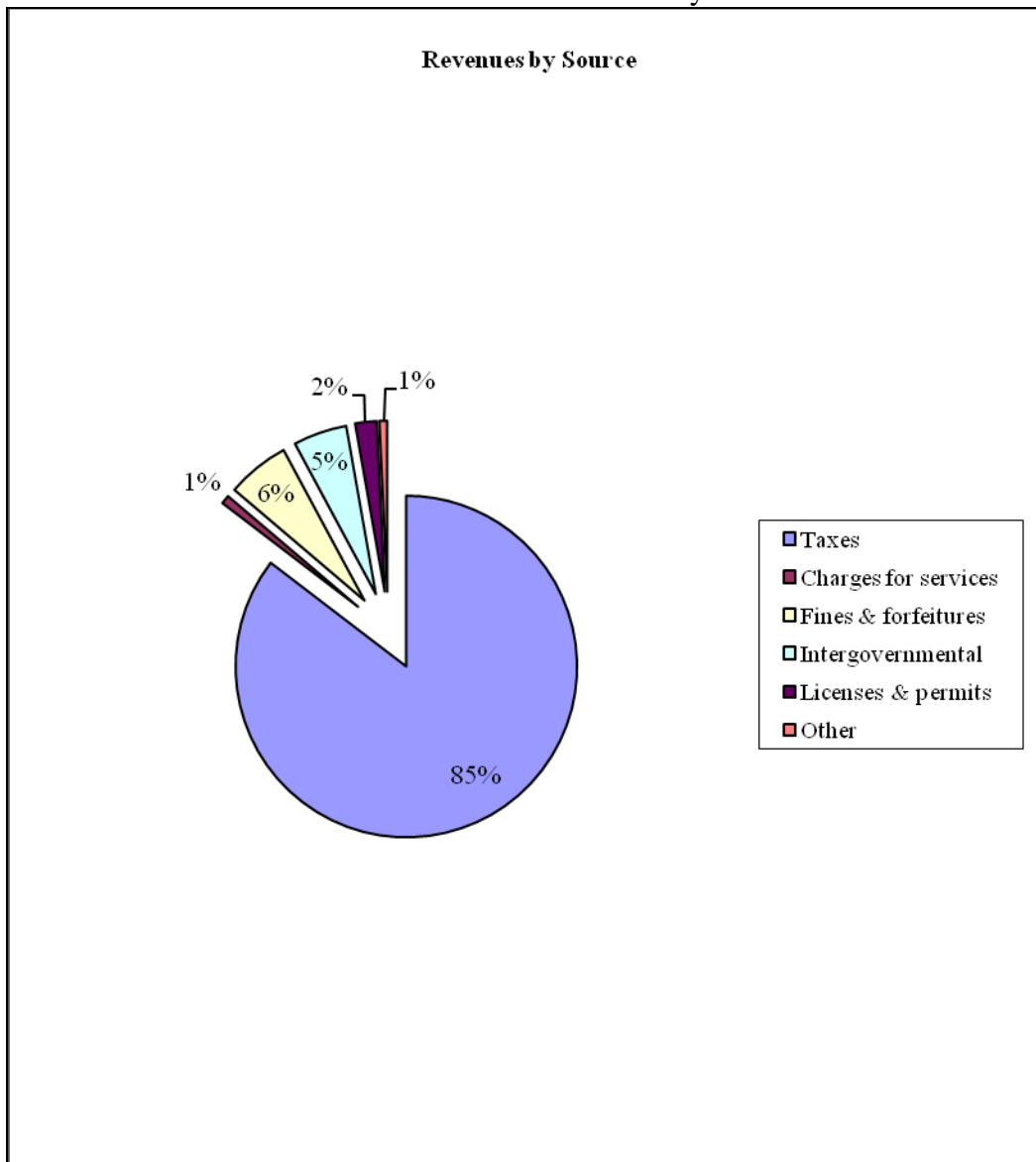
	<b>2012</b>		<b>2011</b>	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
General government	\$ 642,872	\$ 412,561	\$ 621,140	\$ 343,413
Judicial	53,239	53,239	53,767	53,767
Public safety	2,960,145	2,564,234	3,019,756	2,579,209
Public works	956,781	671,832	878,827	836,160
Culture and recreation	354,533	353,433	373,391	362,016
Housing and development	95,514	95,514	137,741	104,591
Interest	-	-	-	-
<b>Total</b>	<b>\$ 5,063,084</b>	<b>\$ 4,150,813</b>	<b>\$ 5,084,622</b>	<b>\$ 4,279,156</b>

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Revenues by Source



**BUSINESS-TYPE ACTIVITIES**

The City's only enterprise fund is the sanitation fund. The City's net assets at September 30, 2012, are (\$133,590), were (\$180,946) at September 30, 2011, and were (\$198,466) at September 30, 2010. The city continues to have extensive repairs on an aging fleet of vehicles, as well as an increase in cost of fuel and waste disposal. To help offset the cost of operations, the City increased garbage collection fees in prior years on commercial customers, continues regular repair and maintenance schedule of all vehicles and added several commercial customers as well and increased collection efforts on past due accounts.

The following table compares the operations for the last three years:

**Summary of Net Assets**

	<u>September 30, 2012</u>		<u>September 30, 2011</u>		<u>September 30, 2010</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Assets:						
Current assets	\$ 299,282	49%	\$ 196,323	47%	\$ 204,848	43%
Capital assets	307,994	51%	219,524	53%	275,750	57%
Total assets	<u>\$ 607,276</u>	<u>100%</u>	<u>\$ 415,847</u>	<u>100%</u>	<u>\$ 480,598</u>	<u>100%</u>
Liabilities:						
Current liabilities	\$ 679,858	92%	\$ 516,771	87%	\$ 575,312	85%
Non-current liabilities	61,008	8%	80,022	13%	103,752	15%
Total liabilities	<u>740,866</u>	<u>100%</u>	<u>596,793</u>	<u>100%</u>	<u>679,064</u>	<u>100%</u>
Net assets:						
Invested in capital assets, net of debt	105,913	-79%	126,178	-70%	167,167	-84%
Unrestricted	<u>(239,503)</u>	<u>179%</u>	<u>(307,124)</u>	<u>170%</u>	<u>(365,633)</u>	<u>184%</u>
Total net assets	<u>\$ (133,590)</u>	<u>100%</u>	<u>\$ (180,946)</u>	<u>100%</u>	<u>\$ (198,466)</u>	<u>100%</u>

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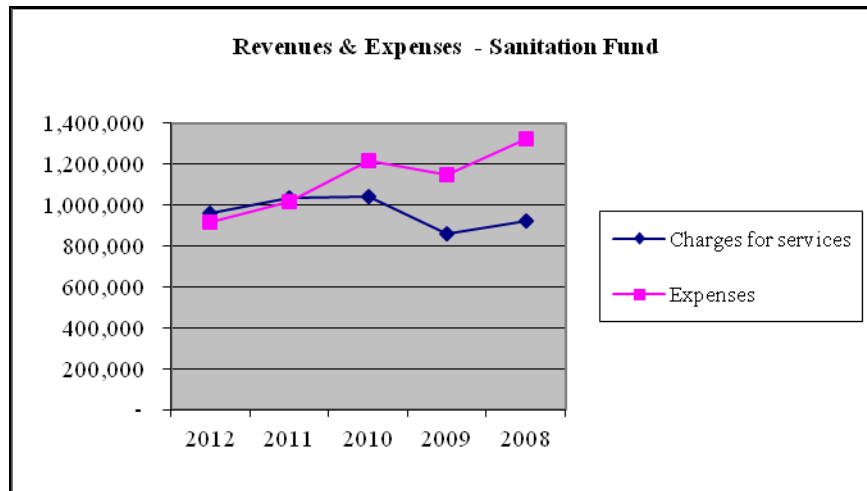
Summary of Changes in Net Assets

	2012		2011		2010	
	Business-type Activities	Percentage of Total	Business-type Activities	Percentage of Total	Business-type Activities	Percentage of Total
Revenues:						
Charges for services	\$ 958,328	99.9%	\$ 1,036,348	99.9%	\$ 1,040,895	99.9%
Investment earnings	938	0.1%	1,114	0.1%	903	0.1%
Total revenues	959,266	100.0%	1,037,462	100.0%	1,041,798	100.0%
Expenses:						
Personal services	\$ 444,389	48.1%	\$ 498,565	48.9%	\$ 545,842	44.5%
Purchased services	207,885	22.5%	192,232	18.8%	266,803	21.8%
Materials and supplies	206,523	22.4%	246,443	24.2%	283,737	23.1%
Bad debt	11,386	1.2%	19,747	0.0%	50,453	0.0%
Depreciation	46,938	5.1%	56,226	5.5%	71,253	5.8%
Interest	6,789	0.7%	6,729	0.7%	8,093	0.7%
Loss on disposal of assets	-	0.0%	-	0.0%	-	0.0%
Total expenses	923,910	100.0%	1,019,942	98.1%	1,226,181	95.9%
(Deficiency)	35,356		17,520		(184,383)	
Contributions	12,000					
Transfers	-		-		29,043	
Net change	47,356		17,520		(155,340)	
Beginning net assets, as restated	(180,946)		(198,466)		(43,126)	
Ending net assets	\$ (133,590)		\$ (180,946)		\$ (198,466)	

**BUSINESS-TYPE ACTIVITIES ANALYSIS**

**2011 Analysis** - Charges for services decreased only \$4,547 or .4% from fiscal year 2010. This decrease is minimal. Total operating expenses decreased \$206,239 or 17% compared to fiscal year 2011. Purchased services were down \$74,571 or 27.9%. This decrease relates to the reduction in the cost of equipment rental and the amount of tonnage hauled to landfill. Materials and supplies decreased \$37,294 or 13.1% from 2010. This decrease is due to less trips made to the landfill which leads to less wear and tear on the vehicles. Fortunately, in fiscal year 2011, the operating loss from fiscal year 2010 decreased by \$17,520. However, the beginning net assets, as restated is still not able to absorb the total losses.

**2012 Analysis** - Charges for services decreased \$78,020 or 7.5% from fiscal year 2011. This decrease was due to the completion of a major renovation project on the campus of Fort Valley State University. This resulted in the loss of revenue from a local contractor utilizing the City's solid waste transfer station. Total operating expenses decreased \$96,092 or 9.5% and reflects the fact that less waste was transported to the landfill due to the completion of the project on campus. Personal service costs were down \$54,176 or 10.9%. This was a reflection of lower health insurance cost and the reallocation of that cost among the departments. Materials and supplies decreased \$39,920 or 16.2% from 2011 and reflects fewer trips to the landfill due to a lower volume of waste that needed transporting to the landfill. In fiscal year 2012, the operating loss from fiscal year 2011 decreased by \$47,356. However, the beginning net assets as restated is still not able to absorb the total losses.



**Financial Analysis of the City's Funds**

**Governmental Funds**

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balance of \$3,051,953 as compared to \$2,663,319 at September 30, 2011. Of the City's \$3,051,953 fund balance, \$48,750 is restricted for Parks and playgrounds, \$57,349 is restricted for Public Safety Technology and \$462,287 is restricted for SPLOST capital projects. \$632,427 is assigned for Contingencies. The reserved amount at September 30, 2012 was only \$2,013 relating to unspent hotel/motel taxes and grant funds.

The total ending fund balances of governmental funds show an increase of \$388,634 or 14.6% increase over the prior year.

**Major Governmental Funds**

**General Fund** - The general fund is the City's primary operating fund and the largest source of day-to-day service delivery. The general fund's fund balance increased by \$467,401 or 22%. In fiscal year 2011, the fund balance increased \$752,790.

Total revenues decreased \$244,392 or 4.3% in 2012. Total taxes decreased \$133,769 or 7.4%. Property taxes in 2012 we down \$147,957 or 8.9 % compared to 2011. The local option sales taxes increased \$30,070 or 2.5%.

Expenditures in total increased \$36,845 or .7%. Public safety function was down \$80,471 or 2.7%. This decrease relates mostly to staff reductions. Cultural and recreation was up \$90,791 or 25.6% due to trust funds proceeds spent for park development.

**SPLOST 2004 Capital Projects Fund** – In 2004, the citizens authorized the County, through referendum, to levy a 1% special purpose local option sales tax. The City received 8.17% of the total County collections. The purpose of the City's share of the taxes is drainage. In fiscal year 2012, the City did not receive any additional proceeds from the County due the expiration of the tax. There was \$144,073 of these taxes expended on drainage at various sites throughout the City during 2012.

### **Budgetary Highlights**

*The General Fund* – During the fiscal year ended September 30, 2012, the City Council adopted amendments to the budget. The final budget represents increases in revenues and expenditures to mostly account for trust fund proceeds that were received and used to fund a Fort Valley Festival Park development. It was required to adjust some departments mainly due to the manner in which the City Council allocates funds for Health Insurance. All of the funds for Health Insurance are allocated in a separate department and then the departmental operating budgets are increased and the Health Insurance budget is decreased based on actual expenditures. The health insurance costs are allocated based on the number of employees in the department. The Health Insurance original budget was \$699,570. This total amount was reallocated to the departments.

Budgeted revenues were amended in the miscellaneous category to account for funds received from Peach County for road improvements. The budgeted amounts for the Real and Personal Property Taxes, Charges for Services and the Miscellaneous categories were not met. However, the city exceeded budgeted amounts in the Selective Taxes, Licenses and Permits, and Intergovernmental categories. Actual revenues came in under budgeted revenues by \$254,277.

The City spent 90.3% of the total general fund amended budget.

### **Capital Assets and Debt Administration**

#### *Capital Assets*

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2012, was \$4,117,489 and \$105,913 respectively. The decrease in this net investment was .8% for governmental activities and a 24.5% decrease for business-type activities. The overall decrease was 1.80% for the City as a whole. See Note 3-D for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year.

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The following table provides a summary of capital asset activity.

	Capital Assets				Total	
	Governmental Activities		Business-type Activities			
	2012	2011	2012	2011	2012	2011
Non-depreciable assets						
Land	\$732,615	\$ 628,815	\$ -	\$ -	\$732,615	\$ 628,815
Construction in progress	-	-	-	-	-	-
Total non-depreciable assets	<u>732,615</u>	<u>628,815</u>	<u>-</u>	<u>-</u>	<u>732,615</u>	<u>628,815</u>
Depreciable assets:						
Buildings	1,966,771	1,966,771	-	-	1,966,771	1,966,771
Infrastructure	1,025,854	694,309			694,309	694,309
Improvements	406,979	297,446	-	-	297,446	297,446
Machinery and equipment	<u>3,153,622</u>	<u>3,132,565</u>	<u>1,347,730</u>	<u>1,212,322</u>	<u>4,501,352</u>	<u>4,344,887</u>
Total depreciable assets	6,553,226	6,091,091	1,347,730	1,212,322	7,900,956	7,303,413
Less accumulated depreciation	<u>3,168,352</u>	<u>2,930,030</u>	<u>1,039,736</u>	<u>992,798</u>	<u>4,208,088</u>	<u>3,922,828</u>
Book value – depreciable assets	<u>3,384,874</u>	<u>3,161,061</u>	<u>307,994</u>	<u>219,524</u>	<u>3,692,868</u>	<u>3,380,585</u>
Percentage depreciated	<u>48%</u>	<u>48%</u>	<u>77%</u>	<u>81%</u>	<u>53%</u>	<u>53%</u>
Book value – all assets	<u><u>\$4,117,489</u></u>	<u><u>\$3,789,876</u></u>	<u><u>\$ 307,994</u></u>	<u><u>\$ 219,524</u></u>	<u><u>\$4,425,483</u></u>	<u><u>\$4,009,400</u></u>

At September 30, 2012, the depreciable capital assets for governmental activities were 48% depreciated. The percentage at September 30, 2011 was 48%. This comparison indicates that the City is replacing its assets at almost the same rate as they are depreciating, which is a positive indicator.

With the City's business-type activities, 77% of the asset values were depreciated at September 30, 2012 compared to 81% at September 30, 2011.



**Long-term Debt**

**Outstanding Borrowings**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2010
Capital leases	\$ -	\$ -	\$ 202,081	\$ 93,346	\$ 202,081	\$ 93,346
Employer funded death benefit	233,459	232,531	-	-	233,459	232,531
Compensated absences	155,146	127,110	8,601	12,753	163,747	139,863
<b>Total</b>	<b>\$ 388,605</b>	<b>\$ 359,641</b>	<b>\$ 210,682</b>	<b>\$ 106,099</b>	<b>\$ 599,287</b>	<b>\$ 465,740</b>

During fiscal year 2012, the City Governmental Activities had no capital leases. The Sanitation Fund acquired a lease in 2009 and made a payment in 2012.

See Note 3-F for additional information about the City's long-term debt.

**Economic Conditions Affecting the City**

The City is the county seat for Peach County, Georgia, and is one of two incorporated cities within the County. The City's primary property taxpayer is *Blue Bird Body Company*, a manufacturer of buses. This taxpayer pays 28.88% of the total City property taxes.

Based upon the 2010 U.S. Bureau of Census, the City average household size is 2.57. Approximately 75% of the population is a high school graduate or higher and 18% has a bachelor's degree or higher. These percentages are slightly below the state of Georgia's averages.

The median household income is \$29,255 or only 41% of the state average. The per capital income is \$15,967 compared to \$25,134 for the state. About 38% of the City's population is below the United States poverty level.

**Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City Administrator at Post Office Box 956, Fort Valley, Georgia, 31030.

**BUTLER, WILLIAMS & WYCHE, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS  
915 HILL PARK  
MACON, GEORGIA 31201

**March 27, 2013**

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of City Council  
City of Fort Valley, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Valley, Georgia, as of and for the year ended September 30, 2012, 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 Fort Valley, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Valley, Georgia, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows 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 March 27, 2013 on our consideration of the City of Fort Valley, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 and the schedule of funding progress for the city's pension plan on page 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fort Valley, Georgia's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In the conduct of our audit, we verified and tested expenditures of the projects of the City of Fort Valley, Georgia, which were identified in the resolution or ordinance calling for imposition of the special sales and use tax authorized by Section 48-8-110 OCGA. The accompanying schedule of the projects undertaken with special sales tax proceeds is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Butler, Williams & Hyche, LLP*

Macon, Georgia

## **BASIC FINANCIAL STATEMENTS**

**City of Fort Valley, Georgia**  
**Statement of Net Assets**  
**September 30, 2012**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents (Note 3A)	\$ 2,012,387	\$ 88,530	\$ 2,100,917	\$ 245,511
Investments (Note 3A)	-	-	-	9,289,720
Receivables:				
Accounts	101,272	59,491	160,763	3,178,258
Taxes	252,921	-	252,921	-
Intergovernmental	414,480	151,261	565,741	1,569
Interest	-	-	-	20,089
Internal	499,826	(499,826)	-	-
Inventory	-	-	-	662,033
Prepaid items	-	-	-	107,783
<b>Non-current Assets:</b>				
Restricted assets	-	-	-	561,130
Capital assets: (Note 3D)				
Non-depreciable capital assets	732,615	-	732,615	856,459
Depreciable capital assets, net	3,384,874	307,994	3,692,868	28,973,023
<b>Total Assets</b>	<u>7,398,375</u>	<u>107,450</u>	<u>7,505,825</u>	<u>43,895,575</u>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts payable	64,407	21,201	85,608	1,250,765
Accrued expenses	48,157	6,122	54,279	59,524
Intergovernmental payable	4,689	-	4,689	155,522
Sales taxes payable	-	-	-	135,324
Unearned revenue	111,680	-	111,680	5,600
Accrued interest	-	3,035	3,035	-
Compensated absences payable	69,815	7,311	77,126	101,878
Notes payable	-	-	-	330,946
Capital leases payable	-	142,363	142,363	-
<b>Long-term Liabilities: (Note 3F)</b>				
Customer deposits	-	-	-	428,487
Compensated absences payable (net of current portion)	85,331	1,290	86,621	124,517
Accrued death benefits payable	233,459	-	233,459	-
Capital leases payable (net of current portion)	-	59,718	59,718	-
Notes payable (net of current portion)	-	-	-	3,163,114
<b>Total Liabilities</b>	<u>617,538</u>	<u>241,040</u>	<u>858,578</u>	<u>5,755,677</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt (Note 3H)	4,117,489	105,913	4,223,402	26,335,422
Restricted for:				
Capital projects	462,287	-	462,287	-
Program purposes	2,013	-	2,013	-
New electric generation	-	-	-	561,130
Unrestricted	2,199,048	(239,503)	1,959,545	11,243,346
<b>Total Net Assets</b>	<u>\$ 6,780,837</u>	<u>\$ (133,590)</u>	<u>\$ 6,647,247</u>	<u>\$ 38,139,898</u>

See accompanying notes to the basic financial statements.

**City of Fort Valley, Georgia**  
**Statement of Activities**  
**For the Year Ended September 30, 2012**

<b>Function/Program</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
<b>Governmental Activities</b>				
General government	\$ 642,872	\$ 107,273	\$ -	\$ 123,038
Judicial	53,239	-	-	-
Public safety	2,960,145	323,085	72,826	-
Public works	956,781	30,600	-	254,349
Culture and recreation	354,533	1,100	-	-
Housing and development	95,514	-	-	-
<b>Total Governmental Activities</b>	<b>5,063,084</b>	<b>462,058</b>	<b>72,826</b>	<b>377,387</b>
<b>Business-type Activities</b>				
Sanitation	923,910	958,328	-	12,000
<b>Total Primary Government</b>	<b>\$ 5,986,994</b>	<b>\$ 1,420,386</b>	<b>\$ 72,826</b>	<b>\$ 389,387</b>
<b>Component Units</b>				
Fort Valley Utility Commission	19,832,405	19,093,436	-	-
Main Street/Downtown Development Authority	213,981	60,354	90,100	155,000
<b>Total Component Units</b>	<b>\$ 20,046,386</b>	<b>\$ 19,153,790</b>	<b>\$ 90,100</b>	<b>\$ 155,000</b>

**General Revenues**

Property taxes levied for general government purposes  
Alcoholic beverage tax  
Local option sales tax  
Insurance premium tax  
Franchise tax  
Hotel/motel tax  
Unrestricted intergovernmental  
Investment earnings  
Miscellaneous

**Total General Revenues**

Transfers in/(out)

**Total General Revenues and Transfers**

**Change in Net Assets**

**Net assets, beginning of year**

**Net assets, end of year**

See accompanying notes to the basic financial statements.

**Net (Expense) Revenue and Changes in Net Assets**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (412,561)	\$ -	\$ (412,561)	\$ -
(53,239)	-	(53,239)	-
(2,564,234)	-	(2,564,234)	-
(671,832)	-	(671,832)	-
(353,433)	-	(353,433)	-
(95,514)	-	(95,514)	-
(4,150,813)	-	(4,150,813)	-
-	46,418	46,418	-
(4,150,813)	46,418	(4,104,395)	-
-	-	-	(738,969)
-	-	-	91,473
-	-	-	(647,496)
1,655,600	-	1,655,600	-
154,968	-	154,968	-
1,212,240	-	1,212,240	-
460,365	-	460,365	-
1,122,209	-	1,122,209	-
19,164	-	19,164	-
193,586	-	193,586	-
12,829	938	13,767	30,322
7,135	-	7,135	814,276
4,838,096	938	4,839,034	844,598
-	-	-	-
4,838,096	938	4,839,034	844,598
687,283	47,356	734,639	197,102
6,093,554	(180,946)	5,912,608	37,942,796
\$ 6,780,837	\$ (133,590)	\$ 6,647,247	\$ 38,139,898

**City of Fort Valley, Georgia**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2012**

	<b>General</b>	<b>2004 SPLOST Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,597,923	\$ 412,713	\$ 1,751	\$ 2,012,387
Receivables:				
Accounts	101,272	-	-	101,272
Taxes	251,419	-	1,502	252,921
Intergovernmental	351,548	-	62,932	414,480
Interfund	506,156	-	-	506,156
<b>Total Assets</b>	<b>\$ 2,808,318</b>	<b>\$ 412,713</b>	<b>\$ 66,185</b>	<b>\$ 3,287,216</b>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 56,936	\$ 6,231	\$ 1,240	\$ 64,407
Accrued expenditures	47,360	797	-	48,157
Intergovernmental payable	4,689	-	-	4,689
Interfund payable	-	6,330	-	6,330
Deferred revenue	111,680	-	-	111,680
<b>Total Liabilities</b>	220,665	13,358	1,240	235,263
 <b>Fund Balances:</b>				
Restricted for:				
Parks and playgrounds	48,750	-	-	48,750
Public safety technology	57,349	-	-	57,349
SPLOST capital projects	-	399,355	62,932	462,287
Assigned for:				
Contingencies	632,427	-	-	632,427
Other	-	-	2,013	2,013
Unassigned	1,849,127	-	-	1,849,127
<b>Total Fund Balances</b>	2,587,653	399,355	64,945	3,051,953
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,808,318</b>	<b>\$ 412,713</b>	<b>\$ 66,185</b>	<b>\$ 3,287,216</b>

See accompanying notes to the basic financial statements.



**City of Fort Valley, Georgia**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**September 30, 2012**

<b>Total Governmental Fund Balances</b>	\$	3,051,953
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.</p>		
Cost of capital assets	\$ 7,285,841	
Less accumulated depreciation	<u>(3,168,352)</u>	4,117,489
<p>Interfund receivables and payables between governmental funds are reported on the fund balance sheet but eliminated on the government-wide statement of net assets:</p>		
Interfund receivables	\$ (6,330)	
Interfund payables	<u>6,330</u>	-
<p>Liabilities are not due and payable in the current period and therefore are not reported in the funds:</p>		
Compensated absences	\$ (155,146)	
Accrued death benefits	<u>(233,459)</u>	<u>(388,605)</u>
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>6,780,837</u></b>

See accompanying notes to the basic financial statements.

**City of Fort Valley, Georgia**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2012**

	<u>General</u>	<u>2004 SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 4,605,384	\$ -	\$ 19,164	\$ 4,624,548
Licenses and permits	107,273	-	-	107,273
Intergovernmental	266,412	-	250,000	516,412
Charges for services	43,279	-	-	43,279
Fines and forfeitures	311,506	-	-	311,506
Investment earnings	12,829	4,348	-	17,177
Contributions	19,238	-	-	19,238
Miscellaneous	7,135	-	-	7,135
<b>Total Revenues</b>	<u>5,373,056</u>	<u>4,348</u>	<u>269,164</u>	<u>5,646,568</u>
<b>Expenditures:</b>				
Current:				
General government	635,042	-	-	635,042
Judicial	52,365	-	-	52,365
Public safety	2,855,242	-	-	2,855,242
Public works	843,110	-	-	843,110
Culture and recreation	445,520	-	-	445,520
Housing and development	86,315	-	9,199	95,514
Capital Outlay	-	144,073	187,068	331,141
<b>Total Expenditures</b>	<u>4,917,594</u>	<u>144,073</u>	<u>196,267</u>	<u>5,257,934</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>455,462</u>	<u>(139,725)</u>	<u>72,897</u>	<u>388,634</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	11,939	-	-	11,939
Transfers out	-	-	(11,939)	(11,939)
<b>Total Other Financing Sources (Uses)</b>	<u>11,939</u>	<u>-</u>	<u>(11,939)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	467,401	(139,725)	60,958	388,634
<b>Fund Balances, Beginning of Year</b>	<u>2,120,252</u>	<u>539,080</u>	<u>3,987</u>	<u>2,663,319</u>
<b>Fund Balances, End of Year</b>	<u>\$ 2,587,653</u>	<u>\$ 399,355</u>	<u>\$ 64,945</u>	<u>\$ 3,051,953</u>

See accompanying notes to the basic financial statements.

**City of Fort Valley, 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 September 30, 2012**

**Net Changes in Fund Balances - Total Governmental Funds** \$ 388,634

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation expense	\$ (238,322)	
Capital outlay	462,135	
Donated Capital Assets	<u>103,800</u>	327,613

Accrued death benefits reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Liability @ 9/30/11	\$ 232,531	
Liability @ 9/30/12	<u>(233,459)</u>	(928)

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

Liability @ 9/30/11	\$ 127,110	
Liability @ 9/30/12	<u>(155,146)</u>	<u>(28,036)</u>

**Change in Net Assets of Governmental Activities** \$ 687,283

See accompanying notes to the basic financial statements.

**City of Fort Valley, Georgia**  
**General Fund**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual*  
*For the Year Ended September 30, 2012*

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Revenues:</b>				
Taxes	\$ 4,561,649	\$ 4,561,649	\$ 4,605,384	\$ 43,735
Licenses and permits	96,175	96,175	107,273	11,098
Intergovernmental	242,000	242,000	266,412	24,412
Charges for services	52,225	52,225	43,279	(8,946)
Fines and forfeitures	240,000	240,000	311,506	71,506
Investment earnings	15,000	15,000	12,829	(2,171)
Contributions	-	158,284	19,238	(139,046)
Miscellaneous	12,000	262,000	7,135	(254,865)
<b>Total Revenues</b>	<u>5,219,049</u>	<u>5,627,333</u>	<u>5,373,056</u>	<u>(254,277)</u>
<b>Expenditures:</b>				
Current:				
General government	563,828	901,506	635,042	(266,464)
Judicial	44,698	53,575	52,365	(1,210)
Public safety	2,501,194	2,958,869	2,855,242	(103,627)
Public works	728,553	1,010,510	843,110	(167,400)
Culture and recreation	280,869	473,995	445,520	(28,475)
Housing and development	86,315	86,315	86,315	-
Health insurance	699,570	-	-	-
Debt Service:				
Principal retirement	14,273	14,273	-	(14,273)
Interest and fiscal charges	8,293	8,293	-	(8,293)
<b>Total Expenditures</b>	<u>4,927,593</u>	<u>5,507,336</u>	<u>4,917,594</u>	<u>(589,742)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>291,456</u>	<u>119,997</u>	<u>455,462</u>	<u>335,465</u>
<b>Other Financing Sources:</b>				
Transfers in	12,000	12,000	11,939	(61)
<b>Total Other Financing Sources</b>	<u>12,000</u>	<u>12,000</u>	<u>11,939</u>	<u>(61)</u>
<b>Net Change in Fund Balances</b>	303,456	131,997	467,401	335,404
<b>Fund Balances, Beginning of Year</b>	<u>2,120,252</u>	<u>2,120,252</u>	<u>2,120,252</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 2,423,708</u>	<u>\$ 2,252,249</u>	<u>\$ 2,587,653</u>	<u>\$ 335,404</u>

See accompanying notes to the basic financial statements.

**City of Fort Valley, Georgia**  
**Comparative Statement of Net Assets**  
**Proprietary Fund - Sanitation Fund**  
**September 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 88,530	\$ 4,476
Receivables:		
Accounts	59,491	44,114
Intergovernmental	151,261	147,733
<b>Total Current Assets</b>	299,282	196,323
<b>Non-current Assets:</b>		
Capital Assets:		
Depreciable capital assets, net	307,994	219,524
<b>Total Assets</b>	607,276	415,847
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts payable	21,201	35,386
Accrued expenses	6,122	4,461
Interfund payable	499,826	447,171
Accrued interest	3,035	3,676
Compensated absences payable	7,311	10,840
Capital leases payable	142,363	15,237
<b>Total Current Liabilities</b>	679,858	516,771
<b>Long-term Liabilities:</b>		
Capital leases payable (net of current portion)	59,718	78,109
Compensated absences payable (net of current portion)	1,290	1,913
<b>Total Long-term Liabilities</b>	61,008	80,022
<b>Total Liabilities</b>	740,866	596,793
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	105,913	126,178
Unrestricted	(239,503)	(307,124)
<b>Total Net Assets</b>	\$ (133,590)	\$ (180,946)

See accompanying notes to the basic financial statements.

**City of Fort Valley, Georgia**  
**Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund - Sanitation Fund**  
**For the Years Ended September 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Operating Revenues:</b>		
Charges for services	\$ 958,328	\$ 1,036,348
<b>Operating Expenses:</b>		
Personal services	444,389	498,565
Purchased services	207,885	192,232
Materials and supplies	206,523	246,443
Bad Debt	11,386	19,747
Depreciation	46,938	56,226
<b>Total Operating Expenses</b>	<b>917,121</b>	<b>1,013,213</b>
<b>Operating (Loss)</b>	<b>41,207</b>	<b>23,135</b>
<b>Non-operating Revenues (Expenses):</b>		
Interest and fiscal charges	(6,789)	(6,729)
Investment earnings	938	1,114
<b>Total Non-operating Revenues</b>	<b>(5,851)</b>	<b>(5,615)</b>
<b>Income (Loss) before Contributions</b>	<b>35,356</b>	<b>17,520</b>
Contributions	12,000	-
<b>Change in Net Assets</b>	<b>47,356</b>	<b>17,520</b>
<b>Net Assets, Beginning of Year</b>	<b>(180,946)</b>	<b>(198,466)</b>
<b>Net Assets, End of Year</b>	<b>\$ (133,590)</b>	<b>\$ (180,946)</b>

See accompanying notes to the basic financial statements.

**City of Fort Valley, Georgia**  
**Comparative Statement of Cash Flows**  
**Proprietary Fund - Sanitation Fund**  
**For the Years Ended September 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Increase in Cash and Cash Equivalents:</b>		
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 928,037	\$ 1,011,240
Cash payments to employees for services	(446,880)	(499,070)
Cash payments for goods and services	(428,593)	(434,902)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>52,564</b>	<b>77,268</b>
<b>Cash Flows from Non-capital Financing Activities:</b>		
Interfund payable	52,655	(69,703)
<b>Net Cash Provided by (Used in) Non-capital Financing Activities</b>	<b>52,655</b>	<b>(69,703)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Principal paid on notes	108,735	(15,237)
Interest paid on notes	(7,430)	(7,328)
Payments for capital acquisitions	(135,408)	-
Capital contributions	12,000	-
<b>Net Cash (Used in) Capital and Related Financing Activities</b>	<b>(22,103)</b>	<b>(22,565)</b>
<b>Cash Flows from Investing Activities:</b>		
Investment earnings	938	1,114
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>84,054</b>	<b>(13,886)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>4,476</b>	<b>18,362</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 88,530</b>	<b>\$ 4,476</b>
<b>Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities</b>		
<b>Operating (Loss)</b>	\$ 41,207	\$ 23,135
<b>Adjustments:</b>		
Depreciation	46,938	56,226
<b>(Increase) Decrease in Assets:</b>		
Accounts receivable	(15,377)	(7,282)
Intergovernmental receivable	(3,528)	1,921
<b>Increase (Decrease) in Liabilities:</b>		
Accounts payable	(14,185)	3,773
Accrued expenses	1,661	(250)
Compensated absences payable	(4,152)	(255)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 52,564</b>	<b>\$ 77,268</b>

See accompanying notes to the basic financial statements.

**City of Fort Valley, Georgia**  
**Comparative Statement of Fiduciary Net Assets**  
**Fiduciary Fund - Library Endowment Trust Fund**  
**September 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 35,960	\$ 35,999
Interest receivable	-	102
<b>Total Assets</b>	<b>\$ 35,960</b>	<b>\$ 36,101</b>
<b>Net Assets:</b>		
Held in trust for library purposes	<b>\$ 35,960</b>	<b>\$ 36,101</b>

See accompanying notes to the basic financial statements.



**City of Fort Valley, Georgia**  
**Comparative Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Fund - Library Endowment Trust Fund**  
**For the Years Ended September 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Additions:</b>		
Investment earnings	\$ 296	\$ 483
<b>Deductions:</b>		
Culture and recreation	437	520
<b>Change in Net Assets</b>	(141)	(37)
<b>Net Assets, Beginning of Year</b>	36,101	36,138
<b>Net Assets, End of Year</b>	\$ 35,960	\$ 36,101

See accompanying notes to the basic financial statements.

**City of Fort Valley, Georgia**  
**Combining Statement of Net Assets**  
**Component Units**  
**September 30, 2012**

	<u>Main Street DDA Authority</u>	<u>Fort Valley Utility Commission</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents (Note 3-A)	\$ 29,668	\$ 215,843	\$ 245,511
Investments (Note 3-A):	-	9,289,720	9,289,720
Receivables:			
Accounts (net of allowance for uncollectibles):	10,087	3,168,171	3,178,258
Intergovernmental	1,569	-	1,569
Interest	-	20,089	20,089
Inventory (Note 1-E-4)	-	662,033	662,033
Prepaid expenses (Note 1-E-5)	-	107,783	107,783
<b>Total Current Assets</b>	<u>41,324</u>	<u>13,463,639</u>	<u>13,504,963</u>
<b>Non-current Assets:</b>			
Restricted assets (Note 1-E-6)	-	561,130	561,130
Capital assets: (Note 3-D)			
Non-depreciable	570,142	286,317	856,459
Depreciable, net	1,587,422	27,385,601	28,973,023
<b>Total Non-current Assets</b>	<u>2,157,564</u>	<u>28,233,048</u>	<u>30,390,612</u>
<b>Total Assets</b>	<u>2,198,888</u>	<u>41,696,687</u>	<u>43,895,575</u>
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts payable	15,326	1,235,439	1,250,765
Accrued payroll	-	53,171	53,171
Payroll deductions payable	-	6,353	6,353
Sales taxes payable	-	135,324	135,324
Intergovernmental payable	5,610	149,912	155,522
Unearned revenue	5,600	-	5,600
Compensated absences payable	-	101,878	101,878
Notes payable (Note 3-F)	64,314	266,632	330,946
<b>Total Current Liabilities</b>	<u>90,850</u>	<u>1,948,709</u>	<u>2,039,559</u>
<b>Non-current Liabilities:</b>			
Customer deposits payable from restricted assets	-	428,487	428,487
Compensated absences payable (net of current portion)	-	124,517	124,517
Notes payable (net of current portion) (Note 3-F)	198,750	2,964,364	3,163,114
<b>Total Non-current Liabilities</b>	<u>198,750</u>	<u>3,517,368</u>	<u>3,716,118</u>
<b>Total Liabilities</b>	<u>289,600</u>	<u>5,466,077</u>	<u>5,755,677</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	1,894,500	24,440,922	26,335,422
Restricted for new electric generation	-	561,130	561,130
Unrestricted	14,788	11,228,558	11,243,346
<b>Total Net Assets</b>	<u>\$ 1,909,288</u>	<u>\$ 36,230,610</u>	<u>\$ 38,139,898</u>

See accompanying notes to the basic financial statements.

**City of Fort Valley, Georgia**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended September 30, 2012**

	<u>Main Street DDA Authority</u>	<u>Fort Valley Utility Commission</u>	<u>Total</u>
<b>Expenses:</b>			
General government	\$ 213,981	\$ -	\$ 213,981
Utilities	<u>-</u>	<u>19,832,405</u>	<u>19,832,405</u>
<b>Total Expenses</b>	<u>213,981</u>	<u>19,832,405</u>	<u>20,046,386</u>
<b>Revenues:</b>			
<b>Program:</b>			
Charges for services	60,354	19,093,436	19,153,790
Operating grants and contributions	90,100	-	90,100
Capital grants and contributions	<u>155,000</u>	<u>-</u>	<u>155,000</u>
<b>Total Program Revenues</b>	<u>305,454</u>	<u>19,093,436</u>	<u>19,398,890</u>
<b>Net Program (Expense) Revenue</b>	<u>91,473</u>	<u>(738,969)</u>	<u>(647,496)</u>
<b>General Revenues:</b>			
Investment earnings	-	30,322	30,322
Miscellaneous	<u>10,967</u>	<u>803,309</u>	<u>814,276</u>
<b>Total General Revenues</b>	<u>10,967</u>	<u>833,631</u>	<u>844,598</u>
<b>Change in Net Assets</b>	102,440	94,662	197,102
<b>Net Assets, Beginning of Year</b>	<u>1,806,848</u>	<u>36,135,948</u>	<u>37,942,796</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,909,288</u>	<u>\$ 36,230,610</u>	<u>\$ 38,139,898</u>

See accompanying notes to the basic financial statements.

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

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*City of Fort Valley, Georgia  
Notes to the Basic Financial Statements  
For the Year Ended September 30, 2012*

The City of Fort Valley, Georgia (“the City”) was chartered by an act of the General Assembly of the State of Georgia. The City operates under a Council/Manager form of government with the Council consisting of six elected members. The City provides the following services as authorized by its charter: general government, judicial, public safety (police and fire), public works, culture and recreation and housing and development. The City also operates a sanitation program.

**Note 1 - Summary of Significant Accounting Policies**

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

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

**1-A. Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City, this entity is limited to the City of Fort Valley legal entity.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; (2) the City is legally entitled to or can otherwise access the organization's resources; (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

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

Brief descriptions of the discretely presented component units follow:

**Fort Valley Utility Commission** – (“the Utility Commission”) - The Utility Commission was formed and operates pursuant to the charter of the City of Fort Valley, Georgia, as amended, and acts of the Georgia State Legislature. The Utility Commission consists of five members: the Mayor of the City is an ex-officio member and four popularly elected commissioners, two elected at large and two elected by ward (i.e. east and west). The Utility Commission is a legally separate entity because it has its own name, can sue and be sued in its own name and can buy, sell and lease property in its own name.

The City believes it would be misleading to omit the Utility Commission from its financial statements; therefore, the Utility Commission is reported as a discretely presented component unit of the City. The Utility Commission issues separate financial statements which are available at the Utility Commission’s administrative office within the City.

**Fort Valley Main Street/DDA** – (“Main Street/DDA”) - Main Street/DDA was created to promote business in the downtown area of the City. During the fiscal year ended September 30, 1999, Fort Valley Main Street combined its operations with the Fort Valley Redevelopment Authority. Also during that fiscal year, Fort Valley Main Street combined its operations with the dormant Fort Valley Downtown Development Authority. The combination of these three entities is now referred to as “Fort Valley Main Street/DDA.” Main Street/DDA sponsors promotional events for the community and offers the opportunity for downtown merchants to work together in these pursuits. The Mayor and City Council of the City appoint the Main Street/DDA board members. Main Street/DDA is a governmental fund type. Main Street/DDA does not issue separate financial statements.

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**1-B. Basis of Presentation**

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

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

The statement of net assets presents the financial position of the governmental and business-type activities of the City and its discretely presented component units at year-end.

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

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

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

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

Major individual governmental and enterprise funds are reported in separate columns.

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

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

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 1 – Summary of Significant Accounting Policies (continued)**

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

**SPLOST Capital Projects Fund** – The 2004 SPLOST capital project fund is used to account for all financial resources obtained by the 2004 levy of a one percent special purpose local option sales tax and related expenditures.

**Proprietary Funds** – The proprietary funds' reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The City's only proprietary fund, the sanitation fund, is classified as a major enterprise fund. The sanitation fund is used to account for all financial resources related to the sanitation services provided to the City's citizens.

**Fiduciary Funds** – The fiduciary funds' reporting focuses on net assets. Fiduciary funds employ the economic resources measurement focus and are accounted for on the accrual basis of accounting. The City's fiduciary fund is a private purpose trust fund and its resources go to the Thomas Public Library, which is not a program or purpose of the City. This reporting focuses on net assets and changes in net assets.

**1-C. Measurement Focus**

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

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

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

**1-D. Basis of Accounting**

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

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

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Revenues - Non-exchange Transactions** - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (Note 3-C) Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and, expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e. collected within 60 days) before it can be recognized.

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

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

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

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

Deferred revenues are reclassified as “*unearned revenue*” on the statement of net assets.

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

**1-E. Assets, Liabilities and Fund Equity**

**1-E-1. Cash, Cash Equivalents and Investments**

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

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

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

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



*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**1-E-2. Receivables**

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled utility charges are accrued as receivables and revenue at September 30, 2012.

**1-E-3. Interfund Balances**

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

**1-E-4. Consumable Inventories (Utility Commission)**

Inventory is recorded using the average unit cost method and expensed when consumed. Inventories include propane gas, meters, transformers, lines, poles, pipe and modems.

**1-E-5. Prepaid Items (Utility Commission)**

Payments made to vendors for services (i.e. prepaid insurance) that will benefit periods beyond September 30, 2011, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expense in the year in which services are consumed.

**1-E-6. Restricted Assets (Utility Commission)**

Restricted assets are customer deposits for utility services.

**1-E-7. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The cost of infrastructure assets that were acquired or received substantial improvements prior to fiscal year 2004 are not required to be, but may be capitalized. Pursuant to GASB Statement No. 34, the City elected not to report major general infrastructure assets retroactively. However, the City began capitalizing infrastructure prospectively October 1, 2003. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized. All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 1 – Summary of Significant Accounting Policies (continued)**

*City of Fort Valley/Main Street*

Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	20 – 50 years	N/A
Infrastructure	15 – 30 years	N/A
Land improvements	15 – 30 years	N/A
Machinery and equipment	3 – 20 years	3 – 20 years

*Fort Valley Utility Commission*

Depreciation is computed using the straight-line method over the following useful lives presented as rates:

<u>Asset Class</u>	<u>Depreciation Rate</u>
Buildings	2%
Natural gas system	2%
Natural gas meters	2.5%
Natural gas equipment	5 - 20%
Electric system and equipment	3 - 10%
Water system and equipment	2.5 - 10%
Sewerage system and equipment	2.5 - 10%
Fiber optic system and equipment	2.5 - 10%
Intangible assets	10%

**1-E-8. Compensated Absences**

Vacation benefits, comp time and holiday time are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. The proprietary funds report the total compensated liability at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only “*when due*.”

**1-E-9. Accrued Liabilities and Long-term Obligations**

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

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

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**1-E-10. Fund Equity**

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

**Fund Balance** –The City implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. Generally, fund balance represents the difference between the current assets and current 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:

- Nondisposable – Fund balances are reported as nondisposable when amounts cannot be spent because they are either (a) not spendable in 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 only be used for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The City Council also may modify or rescind the commitment.
- Assigned – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City’s finance committee or City’s finance director to assign fund balances.
- Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, 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 balance in the following order:

- Committed
- Assigned
- Unassigned

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net asset amount also is adjusted by any bond issuance deferral amounts. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

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

**1-E-11. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for solid waste and transfer station programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund.

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**1-E-12. Interfund Activity**

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

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

**1-E-13. Estimates**

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

**1-E-14. Comparative Data**

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

**Note 2 – Stewardship, Compliance and Accountability**

**2-A. Budgetary Information**

The City adopts an annual operating budget for the general fund and the hotel/motel tax special revenue fund. Project budgets are adopted for the SPLOST capital projects funds.

The general fund and hotel/motel tax special revenue fund are adopted on a basis consistent with GAAP. Budgets for the SPLOST capital projects funds are adopted on a basis consistent with GAAP except the budget period is a project period rather than an annual period.

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

The City's management may approve budget transfers within departments. During the year, the Mayor and City Council approved a budget revision.

All unexpended annual appropriations lapse at year-end.

**Note 3 - Detailed Notes on All Funds**

**3-A. Deposits and Investments**

*Deposits*

**Custodial Credit Risk – Deposits** – The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's, Utility Commission's, or Main Street/DDA's deposits may not be recovered.

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 3 - Detailed Notes on All Funds (continued)**

State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

**City Deposits** - The City's bank balances of deposits as of September 30, 2012 were entirely insured or collateralized with securities held by the City's agent in the City's name. At September 30, 2012, the bank balances were \$2,143,963 and the carrying amount was \$2,136,877. The City has not adopted formal cash policies.

**Utility Commission Deposits and Investments** – The Utility Commission has adopted formal cash and investment policies.

At September 30, 2012, all bank balances were entirely insured or collateralized. In October 2011, the Utility Commission elected to secure its deposits in a pool of pledged securities established and maintained by CB&T Bank of Middle Georgia, a division of Synovus Bank, in accordance with Georgia Uniformed Commercial Code Chapter 8, Title 45, Code Section 45-8-1 and administered under the direction of the Georgia Office of Treasury and Fiscal Services. At September 30, 2012, the bank balances were \$341,073 and the carrying amount was \$215,843.

**Main Street/DDA – Deposits** – At September 30, 2012, all of the Main Street/DDA's bank balances were entirely FDIC insured. At September 30, 2012, the bank balances were \$33,183 and the carrying amount was \$29,668.

**Investments**

**Fort Valley Utility Commission**

At September 30, 2012, the Utility Commission had the following investments presented by maturity period:

Investment Type	Fair Value	Maturity Period		
		Three Months or Less	4 - 12 Months	1 - 5 Years
Certificate of Deposit	\$ 1,723,869	\$ -	\$ 1,723,869	\$ -
Money Market Account	616,365			
Municipal Competitive Trust	7,510,616			
<b>Total</b>	<u>\$ 9,850,850</u>			

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The investment policies require the Utility Commission to minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

**Credit Quality Risk** – Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Utility Commission's money market account and investment in the municipal competitive trust are not rated.

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of a bank failure, the Utility Commission's investments may not be recovered. The investment policies require securities to be held by an independent third-party custodian selected by the Utility Commission as evidenced by safekeeping receipts in the Utility Commission's name. At September 30, 2012, all investments were entirely insured or collateralized with securities held by the Utility Commission's agent in the Utility Commission's name.

**Concentration Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the Utility Commission's investment in a single issuer. The investment policies require that the investments be diversified by limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities); limiting investment in securities that have higher credit risks; investing in securities with varying maturities; and, continuously investing a portion of the portfolio in readily available funds, local government investment pools, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 3 - Detailed Notes on All Funds (continued)**

The Commission's certificates of deposits are issued by the following banks at September 30, 2012:

<u>Bank:</u>	<u>Amount</u>	<u>% of Total</u>
CB&T Bank of Middle Georgia	<u>1,723,869</u>	100%

**3-B. Receivables**

Receivables at September 30, 2012, consisted of taxes, interest, accounts (billings for user charges) and intergovernmental receivables arising from grants.

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

**3-C. Property Taxes**

The City Council levies property taxes in October. Property taxes are due in December and attach as an enforceable lien on property as of January 1.

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 3 - Detailed Notes on All Funds (continued)**

**3-D. Capital Assets**

Capital asset activity for the year ended September 30, 2012, was as follows:

	<u>Balance</u> <u>10/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>9/30/12</u>
Governmental activities:				
Non-depreciable capital assets:				
Land	\$ 628,815	\$ 103,800	\$ -	\$ 732,615
Total non-depreciable capital assets	<u>628,815</u>	<u>103,800</u>	<u>-</u>	<u>732,615</u>
Depreciable capital assets:				
Buildings	1,966,771	-	-	1,966,771
Infrastructure	694,309	331,545	-	1,025,854
Improvements	297,446	109,533	-	406,979
Machinery and equipment	<u>3,132,565</u>	<u>21,057</u>	<u>-</u>	<u>3,153,622</u>
Total depreciable capital assets	<u>6,091,091</u>	<u>462,135</u>	<u>-</u>	<u>6,553,226</u>
Total capital assets	<u>6,719,906</u>	<u>565,935</u>	<u>-</u>	<u>7,285,841</u>
Accumulated depreciation:				
Buildings	327,609	15,478	-	343,087
Infrastructure	31,492	37,833	-	69,325
Improvements	135,592	12,457	-	148,049
Machinery and equipment	<u>2,435,337</u>	<u>172,554</u>	<u>-</u>	<u>2,607,891</u>
Total accumulated depreciation	<u>2,930,030</u>	<u>238,322</u>	<u>-</u>	<u>3,168,352</u>
Governmental activities capital assets, net	<u>\$ 3,789,876</u>	<u>\$ 327,613</u>	<u>\$ -</u>	<u>\$ 4,117,489</u>
Governmental activities depreciation expense:				
General government	\$ 1,890			
Public safety	96,607			
Public works	120,042			
Culture and recreation	<u>19,783</u>			
Total governmental activities depreciation expense	<u>\$ 238,322</u>			

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 3 - Detailed Notes on All Funds (continued)**

Capital asset activity for business-type activities for the year ended September 30, 2012, was as follows:

	<b><u>Balance</u></b> <b><u>10/01/2011</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>9/30/12</u></b>
Business-type activities:				
Depreciable capital assets:				
Machinery and equipment	\$ 1,212,322	\$ 135,408	\$ -	\$ 1,347,730
Accumulated depreciation:				
Machinery and equipment	<u>992,798</u>	<u>46,938</u>	<u>-</u>	<u>1,039,736</u>
Capital assets - net	<u>\$ 219,524</u>	<u>\$ 88,470</u>	<u>\$ -</u>	<u>\$ 307,994</u>

Capital asset activity for Main Street/DDA component unit for the year ended September 30, 2012, was as follows:

	<b><u>Balance</u></b> <b><u>10/01/11</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Balance</u></b> <b><u>09/30/2012</u></b>
Main Street/DDA:				
Capital assets not being depreciated:				
Land	\$ 366,135	\$ -	\$ -	\$ 366,135
Construction in progress	<u>204,007</u>	<u>-</u>	<u>-</u>	<u>204,007</u>
Total capital assets not being depreciated	<u>570,142</u>	<u>-</u>	<u>-</u>	<u>570,142</u>
Depreciable capital assets:				
Buildings	1,675,591	161,310	-	1,836,901
Improvements	15,249	-	-	15,249
Machinery and equipment	<u>11,490</u>	<u>-</u>	<u>-</u>	<u>11,490</u>
Total depreciable capital assets	<u>1,702,330</u>	<u>161,310</u>	<u>-</u>	<u>1,863,640</u>
Total capital assets	<u>2,272,472</u>	<u>161,310</u>	<u>-</u>	<u>2,433,782</u>
Accumulated depreciation:				
Buildings	191,543	65,865	-	257,408
Improvements	6,710	610	-	7,320
Machinery and equipment	<u>11,490</u>	<u>-</u>	<u>-</u>	<u>11,490</u>
Total accumulated depreciation	<u>209,743</u>	<u>66,475</u>	<u>-</u>	<u>276,218</u>
Main Street/DDA capital assets, net	<u>\$ 2,062,729</u>	<u>\$ 94,835</u>	<u>\$ -</u>	<u>\$ 2,157,564</u>



*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 3 - Detailed Notes on All Funds (continued)**

Capital asset activity for the Utility Commission component unit for the year ended September 30, 2012, was as follows:

	<u>Balance</u> <u>10/01/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>09/30/2012</u>
Utility Commission component unit				
Non-depreciable capital assets:				
Land	\$ 100,830	\$ -	\$ -	\$ 100,830
Construction in progress	95,665	89,822	-	185,487
Total non-depreciable capital assets	<u>196,495</u>	<u>89,822</u>	<u>-</u>	<u>286,317</u>
Depreciable capital assets:				
Building	335,744	-	-	335,744
Distribution system	42,832,033	525,609	5,255	43,352,387
Machinery and equipment	3,625,559	49,453	58,338	3,616,674
Intangibles	277,484	-	-	277,484
Total depreciable capital assets	<u>47,070,820</u>	<u>575,062</u>	<u>63,593</u>	<u>47,582,289</u>
Total capital assets	<u>47,267,315</u>	<u>664,884</u>	<u>63,593</u>	<u>47,868,606</u>
Accumulated depreciation:				
Building	222,336	4,532	-	226,868
Distribution system	16,219,916	916,400	5,256	17,131,060
Machinery and equipment	2,520,301	181,076	57,287	2,644,090
Intangibles	167,862	26,808	-	194,670
Total accumulated depreciation	<u>19,130,415</u>	<u>1,128,816</u>	<u>62,543</u>	<u>20,196,688</u>
Utility Commission capital assets, net	<u>\$ 28,136,900</u>	<u>\$ (463,932)</u>	<u>\$ 1,050</u>	<u>\$ 27,671,918</u>

**3-E. Interfund Balances and Transfers**

Interfund balances at September 30, 2012, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that: (1) interfund goods or services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting period; and, (3) payments between funds are made. The City expects to repay all interfund balances within one year, with the exception of the interfund amount between the General Fund and the Sanitation Fund. Management is reevaluating the situation to determine if it can be repaid in the future, or if the amount will need to be reclassified as a transfer.

<b>Payable to:</b>	<b>Payable from:</b>		
	<b>NonMajor Governmental Funds</b>	<b>Sanitation Fund</b>	<b>Total</b>
General fund	\$ 6,330	\$ 499,826	\$ 506,156
Total	<u>\$ 6,330</u>	<u>\$ 499,826</u>	<u>\$ 506,156</u>

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 3 - Detailed Notes on All Funds (continued)**

Interfund transfers for the year ended September 30, 2012, consisted of the following:

<u>Transfer to:</u>	<u>Transfer From:</u>	
	<u>Non-major</u>	
	<u>Governmental</u>	
	<u>Funds</u>	<u>Total</u>
General fund	\$ 11,939	\$ 11,939
Total	\$ 11,939	\$ 11,939

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, to report unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, to segregate money for anticipated capital projects, to provide additional resources for current operations or debt service and to return money to the fund from which it was originally provided once a project is completed. There was one transfer to the general fund from the Hotel/Motel Tax fund due to requirements of state statutes.

**3-F. Long-term Debt**

*Utility Commission Operating Leases* – The Utility Commission has four operating leases outstanding at the end of 2012.

The Utility Commission entered into an operating lease for a mailing system and a utility bill invoice stuffer in October of 2009. The lease is for 60 months at a rate of \$1,494 per calendar quarter. The following payments are due to the lessor on an annual basis for the term of the lease:

<u>Fiscal</u> <u>Year</u>	<u>Amount</u>
2013	\$ 5,976
2014	5,976
Total	\$ 11,952

The Utility Commission entered into an operating lease for a document feeder, printer and cabinet in October of 2010. The lease is for 36 months at a rate of \$90 per month. The following payments are due to the lessor on an annual basis for the term of the lease:

<u>Fiscal</u> <u>Year</u>	<u>Amount</u>
2013	\$ 1,080
2014	90
Total	\$ 1,170

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 3 - Detailed Notes on All Funds (continued)**

The Utility Commission entered into an operating lease for a copy machine in January 2009. The lease is for 60 months at a rate of \$165 per month. The following payments are due to the lessor on an annual basis for the term of the lease.

Fiscal Year	Amount
2013	\$ 1,980
2014	495
Total	\$ 2,475

The Utility Commission entered into an operating lease for a copy machine in November 2009. The lease is for 60 months at a rate of \$268 per month. The following payments are due to the lessor on an annual basis for the term of the lease.

Year	Amount
2013	\$ 3,216
2014	3,216
2015	268
Total	\$ 6,700

***Main Street/DDA Operating Lease –***

Main Street/DDA entered into an operating lease for a copy machine in May 2008. The lease is for 60 months at a rate of \$444 a month. The following payments are due to the lessor on an annual basis for the term of the lease.

Fiscal Year	Amount
2013	2,220
Total	\$ 2,220

***City Governmental Activities' Capital Leases*** – At September 30, 2012, the City had no capital leases for capital assets belonging to governmental activities.

***City Business-type Activities' Capital Leases*** – The City is obligated under two capital leases.

The City is obligated under a capital lease for a dozer purchased in the sanitation fund in February of 2009. The original cost of the dozer was \$122,856. The following is a schedule of the future minimum lease payments for the dozer:

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 3 - Detailed Notes on All Funds (continued)**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	17,363	5,203	22,566
2014	59,718	4,031	63,749
Total	<u>\$ 77,081</u>	<u>\$ 9,234</u>	<u>\$ 86,315</u>

The City is obligated under a capital lease for a Knuckle Boom truck purchased in the sanitation fund in May of 2012. The original cost of the truck was \$125,000. The following is a schedule of the future minimum lease payments for the truck:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	125,000	2,513	127,513
Total	<u>\$ 125,000</u>	<u>\$ 2,513</u>	<u>\$ 127,513</u>

**Main Street/DDA Notes Payable** – On November 2, 2009, Main Street/Downtown Development Authority borrowed \$180,250 from SunMark Community Bank to pay for expenditures related to the renovation of a former high school to become the location for a future business school. One payment of interest and principal was due on November 2, 2010. The interest rate on the loan was 4.15%. Main Street/Downtown Development Authority obtained a loan renewal on November 11, 2010 by paying interest only. The loan renewal extended the maturity until May 2, 2011 with interest set at 5%. On May 2, 2011, Main Street/Downtown Development Authority again obtained a loan renewal by paying interest only. This loan renewal extended the maturity to May 2, 2014 with interest set at 5%. Semi-annual payments of \$11,588.01 are to be made in May and November of each year with the balance due at maturity.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	14,956	8,220	23,176
2014	150,841	7,452	158,293
Total	<u>\$ 165,797</u>	<u>\$ 15,672</u>	<u>\$ 181,469</u>

On June 17, 2008, Main Street/DDA borrowed \$51,500 from the CB&T Bank of Middle Georgia to pay off an earlier line of credit from CB&T bank that was used to provide renovations to the Signal Building. On August 20, 2010, Main Street/DDA obtained a new loan from CB&T that paid off the previous loan and provided \$15,689 in additional capital to pay for a new roof on the Signal Building. Payments of \$600 are due monthly until August 20, 2013, when the remaining principal of the loan becomes due. The interest rate of the loan is 4.25%.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	47,017	1,746	48,763
Total	<u>\$ 47,017</u>	<u>\$ 1,746</u>	<u>\$ 48,763</u>

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 3 - Detailed Notes on All Funds (continued)**

On November 21, 2008, Main Street/DDA borrowed \$51,937 from SunMark Community Bank to pay off an earlier line of credit from CB&T Bank that was used to provide renovations to the Austin Theater. Payments of \$400 were due monthly until October 21, 2011, when the remaining principal of the loan became due. The interest rate on the loan was 5%. On October 21, 2011, Main Street/Downtown Development Authority obtained a loan renewal with SunMark Community Bank that kept the monthly payment at \$400 and the interest rate at 5% but extended the maturity until September 20, 2014. On September 4, 2012, Main Street/Downtown Development Authority obtained a line of credit from SunMark Community Bank that was used to replace the Austin Theater roof. The \$8,085.08 drawn on the line of credit was combined into the original loan and then renewed. The loan renewal with SunMark Community Bank kept the monthly payment at \$400 and interest rate at 5% but extended the maturity date to August 4, 2015. The schedule below reflects the September 4, 2012 loan renewal.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,341	\$ 2,459	\$ 4,800
2014	2,460	2,340	4,800
2015	<u>45,449</u>	<u>2,034</u>	<u>47,483</u>
Total	<u>\$ 50,250</u>	<u>\$ 6,833</u>	<u>\$ 57,083</u>

**Utility Commission Notes Payable** – At September 30, 2012, the Utility Commission has three loans outstanding with the Georgia Environmental Finance Authority (GEFA), two with the Georgia Environmental Loan Acquisition Corporation (GELAC) and one capital lease with Polytec, Inc. In fiscal year 2011, GEFA transferred proceeds from the sale of a portion of its loan portfolio to GELAC, which is a wholly-owned nonprofit subsidiary corporation of GEFA. All payment terms remain the same. Loans 2006-L58WQ and 2007-L42WQ were affected by this transfer.

**GEFA Loan – DW97-027** – On May 19, 1999, the Utility Commission borrowed \$3.5 million in an interest free loan for water distribution system and wells. Payments are due quarterly with a final maturity date of February 1, 2021.

Annual debt service requirements to amortize this loan as of September 30, 2012 follow:

<u>Fiscal Year</u>	<u>Principal</u>
2013	\$ 163,454
2014	163,454
2015	163,454
2016	163,454
2017	163,454
2018-2021	<u>572,088</u>
Total	<u>\$ 1,389,358</u>

**GEFA Loan — DW97-027A** – On May 19, 1999, the Utility Commission borrowed \$550,000 at a 3% interest rate for water distribution system and wells. Payments are due quarterly with a final maturity date of February 1, 2021.

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 3 - Detailed Notes on All Funds (continued)**

Annual debt service requirements to amortize this loan as of September 30, 2012 follow:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 30,148	\$ 8,285	\$ 38,433
2014	31,063	7,371	38,434
2015	32,005	6,428	38,433
2016	32,976	5,457	38,433
2017	33,976	4,457	38,433
2018-2021	<u>127,243</u>	<u>7,273</u>	<u>134,516</u>
Total	<u>\$ 287,411</u>	<u>\$ 39,271</u>	<u>\$ 326,682</u>

**GELAC Loan – 2006-L58WQ** – On May 10, 2007 the Utility Commission received a loan commitment of \$920,000 at a 4.12% interest rate for a lift station and sewer lines in the Heritage Pointe Subdivision.

Payments of \$5,171 are due monthly with a final maturity date in 2029. The construction loan went into repayment on February 1, 2009, in the amount of \$844,499.

Annual debt service requirements to amortize this loan as of September 30, 2012 follow:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 32,334	\$ 29,718	\$ 62,053
2014	33,664	28,389	62,053
2015	35,077	26,976	62,053
2016	36,525	25,528	62,053
2017	38,106	23,946	62,052
2018-2022	215,790	94,473	310,263
2023-2027	265,058	45,205	310,263
2028-2029	<u>80,221</u>	<u>2,364</u>	<u>82,585</u>
Total	<u>\$ 736,775</u>	<u>\$ 276,599</u>	<u>\$ 1,013,374</u>

**GEFA Loan — DWSRF 04-004** – In fiscal year 2007, the Utility Commission drew down \$631,650 at a 1.9% interest rate for an elevated water storage tank at Peach County High School and water main system improvements to serve Rolling Hills Trailer Park.

Payments of \$1,579 are due monthly with a final maturity date of September 1, 2028. During fiscal year 2008 the Utility Commission drew down \$513,350, to the maximum authorized borrowing of \$1,145,000. However, in fiscal year 2008, the Utility Commission received a \$500,000 GEFA DWSRF subsidy which was used to reduce the principal of this loan. And the Utility Commission made a balloon payment of \$330,000 in fiscal year 2008. During fiscal year 2009 the construction loan went into repayment on October 1, 2008, in the amount of \$315,000.

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 3 - Detailed Notes on All Funds (continued)**

Annual debt service requirements to amortize this loan as of September 30, 2012 follow:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	14,109	4,835	18,944
2014	14,375	4,569	18,944
2015	14,650	4,294	18,944
2016	14,927	4,017	18,944
2017	15,221	3,723	18,944
2018-2022	80,574	14,146	94,720
2023-2027	88,597	6,123	94,720
2028	<u>18,732</u>	<u>193</u>	<u>18,925</u>
Total	<u>\$ 261,185</u>	<u>\$ 41,900</u>	<u>\$ 303,085</u>

**GELAC Loan – 2007 - L42WQ** – On December 14, 2007 the Utility Commission received a loan commitment of \$10,750,000 at a 4.1% interest rate for 20 years for a reclamation facility, three sewage pump stations, force main sewer and gravity main sewer to serve east Peach County.

Payments of \$3,577 are due monthly with a final maturity date in 2030. During fiscal year 2008 the Utility Commission drew down \$1,815,208. During fiscal year 2009 the Utility Commission drew down \$6,445,045. During fiscal year 2010 the Utility Commission drew down \$912,965. On November 17, 2009 GEFA released the Utility Commission from the Debt Service Reserve account in accordance with Exhibit D of the loan contract. The item was waived in its entirety, retroactively to September 30, 2009.

The Utility Commission has received all of the \$7,500,000 from Peach County, Georgia for 2000 SPLOST funds allocated to it in the Intergovernmental Agreement. The Utility Commission made balloon payments with those funds during fiscal year 2009 totaling \$7,500,000. The Utility Commission made an additional balloon payment in August 2009 of \$588,000. Also, in fiscal year 2010, the Utility Commission made another balloon payment in November 2009 of \$500,000. During fiscal year 2010, the construction loan went into repayment in the amount of \$585,218, there was no additional activity in 2011.

Annual debt service requirements to amortize this loan as of September 30, 2012 follow:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 21,010	\$ 21,917	\$ 42,927
2014	21,888	21,039	42,927
2015	22,802	20,125	42,927
2016	23,755	19,172	42,927
2017	24,747	18,179	42,926
2018-2022	140,136	74,497	214,633
2023-2027	171,960	42,673	214,633
2028-2030	<u>117,817</u>	<u>7,386</u>	<u>125,203</u>
Total	<u>\$ 544,115</u>	<u>\$ 224,988</u>	<u>\$ 769,103</u>

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 3 - Detailed Notes on All Funds (continued)**

***Polytec, Inc. Capital Lease*** – In fiscal year 2011, the Utility Commission entered into an equipment lease purchase agreement with Polytec, Inc., for chemical tanks and feed equipment with an original cost of \$18,696. The lease is non-interest bearing and is payable bi-monthly with a final payment in June 2014. The Utility Commission agrees to use only Polytec chemicals in this equipment.

Annual debt service requirements to amortize this loan as of September 30, 2012 follow:

Fiscal Year	Principal
2013	\$ 5,609
2014	6,542
Total	<u>\$ 12,151</u>

***Changes in Long-term Debt*** – Changes in the City’s long-term obligations consisted of the following for the year ended September 30, 2012:

	<u>Outstanding 10/01/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 09/30/2012</u>	<u>Amount Due in One Year</u>
Governmental activities:					
Employer funded death benefit	\$ 232,531	\$ 928	\$ -	\$ 233,459	\$ -
Compensated absences	<u>127,110</u>	<u>69,095</u>	<u>41,059</u>	<u>155,146</u>	<u>69,815</u>
Total governmental activities	<u>\$ 359,641</u>	<u>\$ 70,023</u>	<u>\$ 41,059</u>	<u>\$ 388,605</u>	<u>\$ 69,815</u>
Business-type activities:					
Capital leases	\$ 93,346	\$ 125,000	\$ 16,265	202,081	\$ 142,363
Compensated absences	<u>12,753</u>	<u>4,727</u>	<u>8,879</u>	<u>8,601</u>	<u>7,311</u>
Total business-type activities	<u>\$ 106,099</u>	<u>\$ 129,727</u>	<u>\$ 25,144</u>	<u>\$ 210,682</u>	<u>\$ 149,674</u>
Main Street/DDA:					
Loan payable	<u>\$ 276,585</u>	<u>\$ 8,085</u>	<u>\$ 21,606</u>	<u>\$ 263,064</u>	<u>\$ 64,314</u>
Utility Commission:					
GEFA loan - DW97-027	\$ 1,552,813	\$ -	\$ 163,454	\$ 1,389,359	\$ 163,454
GEFA loan - DW97-027A	316,671	-	29,260	287,411	30,148
GELAC loan - 2006-L58WQ	767,776	-	31,001	736,775	32,303
GEFA loan - DWSRF 04-004	275,019	-	13,834	261,185	14,109
GELAC loan - 2007 L42WQ	564,282	-	20,167	544,115	21,010
Polytec, Inc. - Capital Lease	15,892	-	3,741	12,151	5,609
Compensated absences	<u>225,334</u>	<u>180,238</u>	<u>179,177</u>	<u>226,395</u>	<u>101,878</u>
Total Utility Commission	<u>\$ 3,717,787</u>	<u>\$ 180,238</u>	<u>\$ 440,634</u>	<u>\$ 3,457,391</u>	<u>\$ 368,511</u>

All long-term obligations of the City’s governmental funds will be financed through future general fund expendable available financial sources as they become due. Principal and interest payments related to the City’s sanitation enterprise fund are financed from income derived from the operation of the sanitation program. The City’s compensated absences liability will be paid from the fund which the employees’ salaries are paid. Charges for services are used to retire the Utility Commission’s loans and capital leases. The Utility Commission’s compensated absences liability is retired from enterprise fund resources.



*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 3 - Detailed Notes on All Funds (continued)**

**3-G. Pensions**

The City maintains a retirement plan for its employees and the Utility Commission maintains a separate retirement plan for its employees.

***City Retirement Plan -***

***Plan Description*** – The City contributes to the General Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for cities in the State of Georgia. GMEBS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The City Council established the benefit provisions and has the authority to amend these provisions through City ordinance. These benefit provisions were established by a City ordinance dated October 1, 1974. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the City. That report may be obtained by writing to:

Georgia Municipal Employees Benefit System  
201 Pryor Street, S.W.  
Atlanta, Georgia 30303-3606  
404-688-0472

All full-time City employees (i.e. 30 hours per week) with one year of service are eligible to participate in the plan with benefits vesting after 10 years of service. The plan provides either:

- (1) Normal retirement benefit, whereas the employee retires at age 65 with five years of service.
- (2) Early retirement benefit, whereas the employee retires at age 55 or older with ten years of service.

City employees who retire at or after age 65 are entitled to an annual retirement benefit, payable monthly for life. Benefits are dependent upon such factors as the number of years of credited service and the employee's final average earnings.

The early retirement benefit is computed in the same manner as the normal benefits, reduced on an actuarially equivalent basis. The plan provides death benefits in the form of a lifetime pension to the beneficiary if death occurs prior to retirement.

***Funding Policy*** – The obligations to contribute for both the City and its employees are established by the City Council through ordinance. City employees are not required to contribute to GMEBS. The City is required to contribute 100% of the amounts necessary to fund the System using the actuarial basis specified by statute. The contribution rate as of September 30, 2012 was 11.25% of annual covered payroll.

***Annual Pension Cost and Actuarial Methods*** – For 2012, the City's annual pension cost of \$211,097 for GMEBS was equal to the City's required contributions. The required contribution was determined as part of the January 1, 2012, actuarial valuation using the following methods: the actuarial cost method of projected unit credit; the amortization method of closed level dollar for remaining unfunded liability; and the remaining amortization period varies for the bases, with a net effective amortization period of 11 years. The actuarial assumptions included: (a) 7.75% investment rate of return and (b) projected salary increases of 3.50% per year for inflation (plus age and service based merit increases). There is no post-retirement benefit increase assumption. The actuarial value of GMEBS assets was determined using the sum of actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, adjusted by 10 percent of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 3 - Detailed Notes on All Funds (continued)**

<b>Funding Progress</b>						
<b>Actuarial Valuation Date</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL)</b>	<b>(3) Funded Ratio (1)/(2)</b>	<b>(4) Unfunded AAL/(UAAL) (2)-(1)</b>	<b>(5) Annual Covered Payroll</b>	<b>(6) UAAL as a Percentage of Covered Payroll (4)/(5)</b>
1/1/2012	3,199,339	4,037,474	79.24%	838,135	1,828,469	45.84%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

<b>Schedule of Employer Contributions</b>			
<b>Year Ended September 30,</b>	<b>Annual Pension Cost</b>	<b>Percentage Contributed</b>	<b>Net Pension Obligation</b>
2010	195,540	100%	-
2011	186,007	100%	-
2012	211,097	100%	-

**Utility Commission Retirement Plan -**

**Plan Description and Provisions** - The Utility Commission’s defined benefit pension plan, the Fort Valley Utility Commission Retirement Plan (“Plan”), provides retirement, disability, and death benefits to Plan members and beneficiaries. The Plan is a non-contributory defined benefit plan, which is administered by the Georgia Municipal Employees Benefit System (GMEBS), a statewide agent multiple-employer type plan. The authority for establishing and amending benefits rests with the Utility Commission’s Board of Commissioners. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report may be obtained by writing the Georgia Municipal Employees Benefit System, 201 Pryor Street S.W., Atlanta, Georgia 30303, or by calling 1-404-688-0472.

Eligibility requirements are one year of service for all employees. The Plan allows for early retirement at age 55 if the employee has ten years of service. Normal retirement is at age 65 with five years of service. Benefits are dependent upon factors such as the number of years of credited service to the Utility Commission and the employee’s final average earnings. Beginning January 1, 2003, employees’ benefits vest at 50 percent after 5 years and 10 percent of additional vesting takes place each year thereafter until reaching 100% after ten years of service. These benefit provisions were established by a City ordinance dated September 26, 1974. The Utility Commission’s plan was separated from the City’s plan as of October 1, 1990.

**Funding Policy** - Employees are not required to contribute to the Plan. The Utility Commission is required to make all contributions in accordance with the minimum funding standards of the Public Retirement Systems Standards Law. Section 47-20 of the Georgia Code sets forth the funding standards for state and local government pension plans. Administrative expenses are based on total covered payroll of plan members and are added to the annual funding requirement.

**Annual Pension Cost** - For 2012, the Utility Commission’s annual pension costs of \$289,859 was equal to the Utility Commission’s required and actual contributions. The Utility Commission’s contribution rates were 10.71% of the expected payroll for covered employees for fiscal year 2012.

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 3 - Detailed Notes on All Funds (continued)**

The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 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 open for this plan year.

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL)</b>	<b>(3) Funded Ratio (1)/(2)</b>	<b>(4) Unfunded AAL/(UAAL) (2)-(1)</b>	<b>(5) Annual Covered Payroll</b>	<b>(6) UAAL as a Percentage of Covered Payroll</b>
9/1/2007	\$ 4,367,387	\$ 4,611,137	94.71%	\$ 243,750	\$ 2,173,145	11.22%
9/1/2008	4,666,320	4,955,419	94.17%	289,099	2,330,694	12.40%
10/1/2009	4,613,269	5,323,081	86.67%	709,812	2,518,493	28.18%
1/1/2010	4,924,315	5,430,378	90.68%	506,063	2,518,493	20.09%
1/1/2011	5,252,973	5,801,534	90.54%	548,561	2,445,297	22.43%
1/1/2012	5,487,275	6,327,327	86.72%	840,052	2,561,787	32.79%

**Schedule of Employer Contributions**

<b>Year Ended September 30,</b>	<b>Annual Pension Cost</b>	<b>Percentage Contributed</b>	<b>Net Pension Obligation</b>
2010	231,447	100%	-
2011	239,702	100%	-
2012	289,859	100%	-

**Actuarial Valuation Information** – The Utility Commission’s actuarial valuation information for the three most current actuarial valuations is as follows:

Current Valuation Date	January 1, 2012	January 1, 2011	January 1, 2010
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Closed Level Dollar	Closed Level Dollar	Closed Level Dollar
Remaining Amortization Period	Varies with Different Bases - With a Net Effective Amortization Period of 11 years	Varies with Different Bases - With a Net Effective Amortization Period of 10 years	Varies with Different Bases - With a Net Effective Amortization Period of 10 years
Asset Valuation Method	The Sum of the Actuarial Values Adjusted by Cash Flows and Investment Returns	The Sum of the Actuarial Values Adjusted by Cash Flows and Investment Returns	The Sum of the Actuarial Values Adjusted by Cash Flows and Investment Returns

**Actuarial Assumptions:**

Investment Rate of Return	7.75%	7.75%	7.75%
Projected Salary Increases	3.50%	3.50%	3.50%
Expected Annual Inflation	0%	0%	0%

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 3 - Detailed Notes on All Funds (continued)**

**3-H. Invested in Capital Assets, Net of Related Debt**

Net assets on the City-wide statement of net assets as of September 30, 2012 are as follows:

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Component Units</b>
Investments in capital assets, net of related debt:			
Cost of capital assets	\$ 7,285,841	\$ 1,347,730	\$ 50,302,388
Less accumulated depreciation	<u>3,168,352</u>	<u>1,039,736</u>	<u>20,472,906</u>
Book value	4,117,489	307,994	29,829,482
Less capital related debt	<u>-</u>	<u>202,081</u>	<u>3,494,060</u>
Investments in capital assets, net of related debt	<u>\$ 4,117,489</u>	<u>\$ 105,913</u>	<u>\$ 26,335,422</u>

**3-I. Fund Equity**

**Fund Balances:**

- **Restricted** – The following fund balances are restricted for:

**General Fund:**

Parks and playgrounds	\$ 48,750
Public safety technology	57,349
<b>Total</b>	<u><u>\$ 106,099</u></u>

**Capital Projects Fund:**

Special Local Option Sales Tax Fund (SPLOST) used to account for capital projects financed with SPLOST.	<u><u>\$ 462,287</u></u>
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- **Assigned** – The following fund balances are assigned to:

**General Fund:**

Contingencies	<u><u>\$ 632,427</u></u>
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**Special Revenue Funds:**

Hotel / Motel Fund	<u><u>\$ 2,013</u></u>
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- **Unassigned** – The City’s policy is to maintain an adequate General Fund unassigned fund balance to provide liquidity in the event of an economic downturn or natural disaster.

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 4 – Other Notes**

**4-A. Contract Commitments – Utility Commission**

The Utility Commission has commitments for contracts with four governmental organizations.

***Municipal Electric Authority of Georgia*** – The Utility Commission has contracted for a period not to exceed 50 years, to purchase all of its electric power from the Municipal Electric Authority of Georgia (MEAG). MEAG agrees to provide the generating capacity necessary for reliable and economical power for the Utility Commission’s needs.

MEAG has issued bonds for the purpose of building generation, transmission, and telecommunications facilities. Each participant, such as the Utility Commission, is contingently liable for their pro rata share of the bonds as a power purchase cost until they are retired. The Utility Commission’s contingent contractual obligation varies by individual MEAG project and totals approximately \$69,578,114 at September 30, 2012 and \$69,818,764 at September 30, 2011. The contingent obligations are general obligations of the Utility Commission and the City to which the City’s full faith, credit and taxing powers are pledged.

On April 12, 1999 the Utility Commission adopted the provisions of a Municipal Competitive Trust agreement with MEAG. Under the agreement, MEAG established the Trust for the mutual benefit of MEAG and its wholesale customers (the participating Cities). The Trust was created to provide a means of accumulating funds to mitigate the expected differential between market rates for power and the associated costs of generating that power after the anticipated deregulation of the electric industry. The Trust provides for three types of accounts that are held by the trustee in the name of the Utility Commission.

The flexible operating trust account includes funds that are available for withdrawal at the discretion of the Utility Commission. This amount is included in investments and totals \$6,896,286 at September 30, 2012 and \$7,359,061 at September 30, 2011. The two additional accounts created were the credit support operating trust account and the reserve funded debt trust account. The funds in the credit support operating trust account can only be used to offset rate increases exceeding certain criteria and for loans for capital improvements that will reduce future operating costs.

The funds in the reserve funded debt trust account can only be used for charges related to MEAG’s bond obligations. The balances in the credit support operating trust account and the reserve funded debt trust account at September 30, 2012 were \$2,022,851 and \$4,187,623 at September 30, 2011 were \$2,974,555 and \$4,070,193, respectively. Due to the restrictions on the use of these two accounts, they are not presented on the comparative statement of Net position.

Credits from the Municipal Competitive Trust for Power Supply Year 2012. In accordance with the First Amendment of the Municipal Competitive Trust, MEAG Power withdrew funds from the credit support operation account and the reserve funded debt account on behalf of the Participants for the purpose of lowering the annual generation charges for the period of January 1, 2009 through December 31, 2018. The annual amount for the Utility Commission for 2009 was \$1,202,727. The annual amount for the Utility Commission for 2010 is \$1,157,508. The annual amount for the Utility Commission for 2011 is \$1,387,086. The annual amount for the Utility Commission for 2012 is \$769,170. The annual amount for the Utility Commission for 2013 is \$1,463,662.

In accordance with the Second Amendment of the Municipal Competitive Trust, effective August 10, 2009, MEAG Power amended the restrictions and broadened the circumstances under which a Participant may withdraw funds from the New Generation Trust, which was established earlier in 2009 to provide for the future funding of the construction of new power generation facilities, including, but not limited to the Plant Vogtle expansion project. The voluntary funding of the New Generation Trust by Participants will improve the overall credit rating of MEAG Power in the municipal bond market, both now and in the future. The Generation Trust Account is displayed as a restricted investment asset in the comparative statement of net position.

***Georgia Public Web Membership*** – The Utility Commission and other members of MEAG’s telecommunication project created Georgia Public Web (a Georgia not-for-profit corporation) to provide internet and telecommunication services to customers in Georgia. On October 10, 2000 the Utility Commission signed a 50-year commitment to pay each month a proportionate share of the difference between Georgia Public Web’s budgeted costs and revenues. The Utility Commission’s proportionate share is 2.315% at both September 30, 2012 and 2011. The contingent obligations are general obligations of the Utility Commission and the City to which the City’s full faith, credit and taxing powers are pledged. However, in fiscal year 2008, the Utility Commission advance paid their total commitment (Georgia Public Web telecom debt issued on April 3, 2003).

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 4 – Other Notes (continued)**

***Municipal Gas Authority of Georgia*** – The Utility Commission has entered into a contract for the purchase of wholesale natural gas supplies and related services with the Municipal Gas Authority of Georgia (MGAG) that requires the Utility Commission to purchase all of its natural gas from MGAG, other than any supplies that were under contract for delivery to the Utility Commission at the time of the execution of the contract with MGAG. The gas supply contract with MGAG authorizes MGAG to establish rates and charges so as to produce revenues sufficient to cover its operating costs and retire its bonds issued to acquire long-term gas supplies for sale to its members, including the Utility Commission. In the event that revenues are insufficient to cover all costs and retire bonds issued by MGAG, the Utility Commission is obligated to pay its share of the costs of the gas supply and related services MGAG provides to the Utility Commission, which costs include amounts equal to principal of and interest on MGAG's bonds.

The contingent obligations, which extend through the year 2058, are general obligations of the Utility Commission and the City to which the City's full faith, credit and taxing powers are pledged. The obligation to MGAG for gas supply costs are based on MGAG's costs to provide such supply, including bonds issued to purchase long-term gas supplies.

The Utility Commission is contingently liable for their pro-rata share of the debt. The Utility Commission's contingent contractual obligation total approximately \$5,773,230 at September 30, 2012 and \$4,148,103 at September 30, 2011. On December 12, 2002 an intergovernmental agreement was made between the Utility Commission and the City of Fort Valley related to the MGAG contract. Under this agreement, in the event of any required payments pursuant to the provisions of the Gas Supply Contract the payments shall be made first by the Utility Commission from its revenues and assets before any required payments are made by the City of Fort Valley.

***USDA Rural Development*** – On April 15, 2011, the Utility Commission committed to participate in a project with the USDA Rural Development to add a 500,000 gallon elevated storage tank on the campus of Fort Valley State University, a new well and a chemical feed building. The USDA Rural Development will loan the Utility Commission an amount not to exceed \$2,387,000 and will award a grant for the project for \$1,848,000. The loan will be repayable over 40 years at an interest rate of 3.75%. The monthly payment is estimated at \$9,620. On April 15, 2012, the USDA Rural Development granted an extension until October 15, 2012. On October 15, 2012 the USDA Rural Development granted a second extension until April 15, 2013. The Utility Commission anticipates that no further extensions will be required. Construction will begin in calendar year 2013.

**4-B. Risk Management**

Both the City and the Utility Commission are 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 purchases commercial insurance to cover automobile, property and liability coverage. However, the Utility Commission has joined with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for its property and liability insurance. The City and the Utility Commission manage their risk of potential loss from injuries to employees by participating in the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

As part of these risk pools, the City and the Utility Commission are obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' 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 and the Utility Commission are to allow the pool's agents and attorneys to represent them in investigation, settlement discussions and all levels of litigation arising out of any claim made against them within the scope of loss protection provided by the funds. The funds are to defend and protect the members of the funds against any liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all costs assessed to its 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.

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 4 – Other Notes (continued)**

The City is self-insured for the first \$30,000 in medical claims of each person covered by the health insurance plan. The City has a reinsurance policy that covers medical claims greater than \$30,000. Liabilities include claims incurred but not reported. These liabilities are allocated between the general fund and the sanitation fund. Claim liabilities are calculated using recent claim settlement trends as well as payments made after year-end for services rendered prior to year-end. Changes in the balances of claims liabilities during the past three years are as follows:

<b>Date</b>	<b>(1) Beginning of Fiscal Year Liability</b>	<b>(2) Current Year Claims and Changes in Estimates</b>	<b>(3) Claim Payments</b>	<b>(4) End of Fiscal Year Liability</b>
2010	174,405	528,319	679,481	23,243
2011	23,243	611,286	576,237	58,292
2012	58,292	351,552	392,965	16,879

There were no significant reductions in insurance coverage from prior year, and there have been no settlements that exceed the City's insurance coverage during the past three years.

**4-C. Contingent Liabilities**

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

***Utility Commission Contingent Liability***

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

The Utility Commission was not a defendant in any lawsuits at September 30, 2012 or 2011. In the opinion of the Utility Commission's management, there are no legal contingencies which will have a material effect on the financial position of the Utility Commission in subsequent years.

The Utility Commission guaranteed the cost of certain architect plans and fees up to the amount of \$180,000 incurred by the Fort Valley Main Street Downtown Development Authority (City of Fort Valley, Georgia) relative to the renovation of the Fort Valley High School building on Knoxville Street in Fort Valley, Georgia. The proposed renovation would house the future School of Business Administration program at Fort Valley State University, which is an historically black State and Land-Grant Institution and a member of the University System of Georgia. Short-term financing, for which the Utility Commission has guaranteed repayment, has been provided by a local Community Bank. Long-term financing for the life of the building project will be provided by municipal bond debt as a result of the execution of a long-term lease commitment from the University System of Georgia and Fort Valley State University, should the project ultimately be approved.

*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 4 – Other Notes (continued)**

**4-D. Environmental Remediation**

In 2003, the Georgia Department of Natural Resources placed the Vienna Street Dump on the Hazardous Site Inventory and held the City of Fort Valley to be the responsible party. The Vienna Street Dump was placed on the Hazardous Site Inventory because the site has a known release of arsenic exceeding the reportable quantity. The Georgia Environmental Protection Division requires the City of Fort Valley to complete a Compliance Status Report, wherein the City will investigate the source of contamination and propose a Corrective Action Plan to remediate the contamination. As of September 30, 2012, the City had not completed the Compliance Status Report. It is therefore not possible to estimate the costs of remediation, either for the completion of the Compliance Status Report or the execution of the Corrective Action Plan. There may also be other responsible parties discovered through the investigation of the Compliance Status Report that could defray some or all of the environmental remediation liability. The amount of these recoveries, if any, can also not be estimated as of September 30, 2012.

**4-E. Related Organization**

The Housing Authority of the City of Fort Valley is a public body and a body corporate and politic created under the authority of the General Statutes of Georgia. The Authority was created for the purpose of providing safe and sanitary housing for the low income citizens of the City. The Mayor of Fort Valley appoints the Authority's five-member Board of Commissioners to five year terms. However, the Authority designates its own management and has the power to approve its own budget and maintain its own accounting system. The City provides no financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority

**4-F. Joint Ventures**

The City participates in the Middle Georgia Regional Commission (RC). Membership in a RC is required by Code of Georgia 50-8-34, which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the Chief elected official of each county and municipality of the area. OCGA 50-8-39-1 also provides that the member governments are liable for any debts or obligations of a RC beyond its resources. Financial statements for the Middle Georgia Regional Commission may be obtained from: Middle Georgia Regional Commission, 175 C Emery Highway, Macon, Georgia 31217.

**4-G. Hotel-Motel Lodging Tax**

The City has levied a 5% lodging tax. A summary of the transactions for the year ended September 30, 2012 follows:

Lodging tax receipts	<u>\$ 19,164</u>
Required expenditures	<u>\$ 7,666</u>
Actual expenditures	<u>\$ 9,199</u>

All expenditures were for promotion of tourism as required by O.C.G.A. 48-13-51.

**4-H. Related Party Transactions**

The City had material revenues from the Fort Valley Utility Commission consisting of franchise fees and a contribution totaling \$1,239,740. The City also had material expenditures with the Commission consisting of fiber optic services and utilities totaling \$311,338.



*City of Fort Valley, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended September 30, 2012*

**Note 4 – Other Notes (continued)**

**4-I. Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 27, 2013, the date the financial statements were available to be issued.

***Utility Commission Subsequent Events***

As a result of completing cost of service studies for all four utility services (natural gas, electric, water and sewer), the Utility Commission implemented the necessary rate increases to recover the costs of providing such services to its customers. The new rates were effective for billing cycle #1 in October 2012. Base charges were increased. Consumption charges were increased. Electric rates included an Environmental Compliance Cost Recovery (ECCR) element. Water and sewer rate tiers were expanded. And, additional costs were allocated to interruptible natural gas customers.

**City of Fort Valley, Georgia**  
**Required Supplementary Information**  
**September 30, 2012**

***Pension Plan***  
***Schedule of Funding Progress***  
***(Unaudited)***

	(1)	(2)	(3)	(4)	(5)	(6)
		<b>Actuarial</b>				<b>UAAL as a</b>
<b>Measurement</b>	<b>Actuarial</b>	<b>Accrued</b>	<b>Unfunded</b>	<b>Funded</b>	<b>Annual</b>	<b>Percentage</b>
<b>Date</b>	<b>Value of</b>	<b>Liability</b>	<b>AAL (UAAL)</b>	<b>Ratio</b>	<b>Covered</b>	<b>of Covered</b>
	<b>Assets</b>	<b>(AAL)</b>	<b>(2) - (1)</b>	<b>(1) / (2)</b>	<b>Payroll</b>	<b>Payroll</b>
						<b>(3) / (5)</b>
11/1/2006	3,292,137	3,196,762	-95,375	102.98%	1,289,794	0.00%
11/1/2007	3,349,240	3,561,478	212,238	94.04%	1,625,042	13.06%
11/1/2008	3,379,055	3,687,877	308,822	91.63%	2,134,730	14.47%
10/1/2009	2,923,960	3,843,749	919,789	76.07%	1,975,397	46.56%
1/1/2010	3,329,053	3,915,316	586,263	85.03%	2,012,837	29.13%
1/1/2011	3,413,249	3,971,229	557,980	85.95%	1,957,090	28.51%
1/1/2012	3,199,339	4,037,474	838,135	79.24%	1,828,469	45.84%

## **SUPPLEMENTARY INFORMATION**

**City of Fort Valley, Georgia**  
**General Fund**  
**Comparative Balance Sheet**  
**September 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,597,923	\$ 1,278,353
Investments	-	139,047
Receivables:		
Accounts	101,272	82,240
Property taxes	251,419	176,044
Intergovernmental	351,548	373,203
Interfund	506,156	448,221
<b>Total Assets</b>	<b>\$ 2,808,318</b>	<b>\$ 2,497,108</b>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 56,936	\$ 155,353
Accrued expenditures	47,360	42,081
Intergovernmental payable	4,689	16,258
Deferred revenue	111,680	163,164
<b>Total Liabilities</b>	220,665	376,856
<b>Fund Balances:</b>		
Restricted for:		
Parks and playgrounds	48,750	139,047
Public safety technology	57,349	29,538
Assigned for:		
Contingencies	632,427	351,446
Unassigned	1,849,127	1,600,221
<b>Total Fund Balances:</b>	2,587,653	2,120,252
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,808,318</b>	<b>\$ 2,497,108</b>

**City of Fort Valley, Georgia**  
**General Fund**  
**Comparative Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**For the Years Ended September 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Revenues:</b>		
Taxes	\$ 4,605,384	\$ 4,647,975
Licenses and permits	107,273	99,740
Intergovernmental	266,412	291,372
Charges for services	43,279	55,934
Fines and forfeitures	311,506	314,520
Investment earnings	12,829	17,885
Contributions	19,238	156,547
Miscellaneous	<u>7,135</u>	<u>33,475</u>
<b>Total Revenues</b>	<u>5,373,056</u>	<u>5,617,448</u>
<b>Expenditures:</b>		
Current:		
General government	\$ 635,042	\$ 672,156
Judicial	52,365	52,075
Public safety	2,855,242	2,935,713
Public works	843,110	773,120
Culture and recreation	445,520	354,729
Housing and development	<u>86,315</u>	<u>92,956</u>
<b>Total Expenditures</b>	<u>4,917,594</u>	<u>4,880,749</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>455,462</u>	<u>736,699</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in	<u>11,939</u>	<u>16,091</u>
<b>Total Other Financing Sources</b>	<u>11,939</u>	<u>16,091</u>
<b>Net Change in Fund Balances</b>	467,401	752,790
<b>Fund Balances, Beginning of Year</b>	<u>2,120,252</u>	<u>1,367,462</u>
<b>Fund Balances, End of Year</b>	<u>\$ 2,587,653</u>	<u>\$ 2,120,252</u>

**City of Fort Valley, Georgia**  
**Schedule of Revenues - Budget and Actual - General Fund**  
**For the Year Ended September 30, 2012**  
*(With Comparative Actual Amounts for the Year Ended September 30, 2011)*

	2012			2011	
	Original Budget	Final Budget	Actual	Variance with Final Budget	Actual
<b>Real and Personal Property Taxes:</b>					
General property tax	\$ 1,641,500	\$ 1,641,500	\$ 1,503,080	\$ (138,420)	\$ 1,651,037
Vehicle property tax	81,000	81,000	94,778	13,778	100,981
Mobile home property tax	5,000	5,000	10,606	5,606	5,842
Recording intangible tax	3,200	3,200	3,295	95	3,000
Real estate transfer tax	1,000	1,000	1,611	611	786
Railroad equipment tax	5,000	5,000	3,249	(1,751)	2,866
Prior year taxes - other than property	5,000	5,000	11,245	6,245	3,729
Penalties and interest on delinquent taxes	24,300	24,300	27,738	3,438	21,130
<b>Total Real and Personal Property Taxes</b>	<u>1,766,000</u>	<u>1,766,000</u>	<u>1,655,602</u>	<u>(110,398)</u>	<u>1,789,371</u>
<b>Selective Taxes:</b>					
Sales tax	1,125,000	1,125,000	1,212,240	87,240	1,182,170
Beer tax	134,000	134,000	128,103	(5,897)	145,363
Wine tax	9,000	9,000	5,342	(3,658)	8,186
Liquor tax	20,000	20,000	21,523	1,523	22,290
Hotel/motel tax	12,000	12,000	-	(12,000)	3,834
Insurance premium tax	430,000	430,000	460,365	30,365	430,924
Utility Commission franchise fees	996,649	996,649	1,054,741	58,092	987,287
Cable T.V. franchise fees	30,000	30,000	29,927	(73)	30,394
Telephone franchise fees	39,000	39,000	37,541	(1,459)	48,156
<b>Total Selective Taxes</b>	<u>2,795,649</u>	<u>2,795,649</u>	<u>2,949,782</u>	<u>154,133</u>	<u>2,858,604</u>
<b>Licenses and Permits:</b>					
Alcoholic beverage licenses	22,500	22,500	25,800	3,300	22,500
Occupation taxes	70,775	70,775	76,473	5,698	73,740
Amusement machine permits	2,000	2,000	3,600	1,600	2,400
Dog registration	900	900	1,400	500	1,100
<b>Total Licenses and Permits</b>	<u>96,175</u>	<u>96,175</u>	<u>107,273</u>	<u>11,098</u>	<u>99,740</u>
<b>Fines and Forfeitures:</b>					
Court fines	240,000	240,000	311,506	71,506	314,520
<b>Total Fines and Forfeitures</b>	<u>240,000</u>	<u>240,000</u>	<u>311,506</u>	<u>71,506</u>	<u>314,520</u>
<b>Charges for Services:</b>					
Bond fees	3,000	3,000	3,297	297	4,275
Qualifying Fees	-	-	-	-	1,440
Police background checks	17,000	17,000	5,013	(11,987)	5,108
Police accident reports	1,000	1,000	3,269	2,269	10,286
Sale of cemetery lots	30,000	30,000	30,600	600	33,450
Rental income	1,225	1,225	1,100	(125)	1,375
<b>Total Charges for Services</b>	<u>52,225</u>	<u>52,225</u>	<u>43,279</u>	<u>(8,946)</u>	<u>55,934</u>
<b>Intergovernmental:</b>					
FEMA grant	50,000	50,000	72,826	22,826	21,047
Community redevelopment grant	-	-	-	-	10,000
Department of Justice grants	-	-	-	-	85,325
Utility Commission	185,000	185,000	185,000	-	175,000
Housing authority	7,000	7,000	8,586	1,586	-
<b>Total Intergovernmental</b>	<u>242,000</u>	<u>242,000</u>	<u>266,412</u>	<u>24,412</u>	<u>291,372</u>
<b>Miscellaneous:</b>					
Investment earnings	15,000	15,000	12,829	(2,171)	17,885
Contributions	-	158,284	19,238	(139,046)	156,547
Miscellaneous	12,000	262,000	7,135	(254,865)	33,475
<b>Total Miscellaneous</b>	<u>27,000</u>	<u>435,284</u>	<u>39,202</u>	<u>(396,082)</u>	<u>207,907</u>
<b>Total Revenues</b>	<u>\$ 5,219,049</u>	<u>\$ 5,627,333</u>	<u>\$ 5,373,056</u>	<u>\$ (254,277)</u>	<u>\$ 5,617,448</u>

**City of Fort Valley, Georgia**  
**Schedule of Expenditures - Budget and Actual - General Fund**  
**For the Year Ended September 30, 2012**  
*(With Comparative Actual Amounts for the Year Ended September 30, 2011)*

	<b>2012</b>			<b>2011</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>	<b>Actual</b>
<b>Expenditures:</b>					
<b>General Government:</b>					
Mayor and council	\$ 107,297	\$ 152,395	\$ 146,324	\$ (6,071)	\$ 141,434
Administration	422,931	708,811	448,482	(260,329)	457,685
Public buildings	<u>33,600</u>	<u>40,300</u>	<u>40,236</u>	<u>(64)</u>	<u>73,037</u>
<b>Total General Government</b>	<u>563,828</u>	<u>901,506</u>	<u>635,042</u>	<u>(266,464)</u>	<u>672,156</u>
<b>Judicial:</b>					
Municipal court	<u>44,698</u>	<u>53,575</u>	<u>52,365</u>	<u>(1,210)</u>	<u>52,075</u>
<b>Total Judicial</b>	<u>44,698</u>	<u>53,575</u>	<u>52,365</u>	<u>(1,210)</u>	<u>52,075</u>
<b>Public Safety:</b>					
Police	1,730,158	2,014,287	1,910,779	(103,508)	1,993,761
Fire	<u>771,036</u>	<u>944,582</u>	<u>944,463</u>	<u>(119)</u>	<u>941,952</u>
<b>Total Public Safety</b>	<u>2,501,194</u>	<u>2,958,869</u>	<u>2,855,242</u>	<u>(103,627)</u>	<u>2,935,713</u>
<b>Public Works:</b>					
Streets	531,708	764,502	597,180	(167,322)	580,901
Cemeteries	<u>196,845</u>	<u>246,008</u>	<u>245,930</u>	<u>(78)</u>	<u>192,219</u>
<b>Total Public Works</b>	<u>728,553</u>	<u>1,010,510</u>	<u>843,110</u>	<u>(167,400)</u>	<u>773,120</u>
<b>Culture and Recreation:</b>					
Parks	256,869	449,995	424,451	(25,544)	333,413
Senior citizen's center	9,000	9,000	6,069	(2,931)	6,316
Spruce street pool	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
<b>Total Culture and Recreation</b>	<u>280,869</u>	<u>473,995</u>	<u>445,520</u>	<u>(28,475)</u>	<u>354,729</u>
<b>Housing and Development:</b>					
Economic development	<u>86,315</u>	<u>86,315</u>	<u>86,315</u>	<u>-</u>	<u>92,956</u>
<b>Total Housing and Development</b>	<u>86,315</u>	<u>86,315</u>	<u>86,315</u>	<u>-</u>	<u>92,956</u>
<b>Health Insurance</b>	<u>699,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Debt Service:</b>					
Principal retirement	14,273	14,273	-	(14,273)	-
Interest and fiscal charges	<u>8,293</u>	<u>8,293</u>	<u>-</u>	<u>(8,293)</u>	<u>-</u>
<b>Total Debt Service</b>	<u>22,566</u>	<u>22,566</u>	<u>-</u>	<u>(22,566)</u>	<u>-</u>
<b>Total Expenditures</b>	<u>\$ 4,927,593</u>	<u>\$ 5,507,336</u>	<u>\$ 4,917,594</u>	<u>\$ (589,742)</u>	<u>\$ 4,880,749</u>

**City of Fort Valley, Georgia**  
**Combining Balance Sheet**  
**Non-major Funds**  
**September 30, 2012**

	<b>Special Revenue Fund Hotel/ Motel Tax</b>	<b>Capital Projects Fund 2008 SPLOST</b>	<b>Total Non-major Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,751	\$ -	\$ 1,751
Receivables:			
Intergovernmental	-	62,932	62,932
Hotel/motel taxes	1,502	-	1,502
<b>Total Assets</b>	<b>3,253</b>	<b>62,932</b>	<b>66,185</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	1,240	-	1,240
<b>Total Liabilities</b>	1,240	-	1,240
<b>Fund Balances</b>			
Restricted	-	62,932	62,932
Assigned	2,013	-	2,013
Total Fund Balance	2,013	62,932	64,945
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,253</b>	<b>\$ 62,932</b>	<b>\$ 66,185</b>



**City of Fort Valley, Georgia**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Funds**  
**For the Year Ended September 30, 2012**

	<b>Special Revenue Fund Hotel/ Motel Tax</b>	<b>Capital Projects Fund 2008 SPLOST</b>	<b>Total Non-Major Funds</b>
<b>Revenues</b>			
Hotel/motel taxes	\$ 19,164	\$ -	\$ 19,164
Intergovernmental	<u>-</u>	<u>250,000</u>	<u>250,000</u>
<b>Total Revenues</b>	<u>19,164</u>	<u>250,000</u>	<u>269,164</u>
<b>Expenditures</b>			
Current:			
Public works	-	187,068	187,068
Housing and development	<u>9,199</u>	<u>-</u>	<u>9,199</u>
<b>Total Expenditures</b>	<u>9,199</u>	<u>187,068</u>	<u>196,267</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	9,965	62,932	72,897
<b>Other Financing (Uses)</b>			
Transfers out	<u>(11,939)</u>	<u>-</u>	<u>(11,939)</u>
<b>Total Other Financing (Uses)</b>	<u>(11,939)</u>	<u>-</u>	<u>(11,939)</u>
<b>Net Change in Fund Balances</b>	(1,974)	62,932	60,958
<b>Fund Balances, Beginning of Year</b>	<u>3,987</u>	<u>-</u>	<u>3,987</u>
<b>Fund Balances, End of Year</b>	<u>\$ 2,013</u>	<u>\$ 62,932</u>	<u>\$ 64,945</u>

**City of Fort Valley, Georgia**  
**Hotel/Motel Tax Fund**  
**Comparative Balance Sheet**  
**September 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,751	\$ 152
Hotel/motel taxes receivable	1,502	6,390
<b>Total Assets</b>	<b>\$ 3,253</b>	<b>\$ 6,542</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,240	\$ 2,555
<b>Total Liabilities</b>	1,240	2,555
<b>Fund Balances</b>		
Assigned	2,013	3,987
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,253</b>	<b>\$ 6,542</b>

**City of Fort Valley, Georgia**  
**Hotel/Motel Tax Fund**  
*Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual*  
*For the Year Ended September 30, 2012*  
*(With Comparative Actual Amounts for the Year Ended September 30, 2011)*

	2012			2011	
	Original Budget	Final Budget	Actual	Variance with Final Budget	Actual
<b>Revenues</b>					
Hotel/motel taxes	\$ 20,000	\$ 20,000	\$ 19,164	\$ (836)	\$ 24,936
<b>Expenditures</b>					
Current:					
Housing and development	<u>8,000</u>	<u>9,200</u>	<u>9,199</u>	<u>(1)</u>	<u>11,424</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	12,000	10,800	9,965	(835)	13,512
<b>Other Financing (Uses)</b>					
Transfers out	<u>(12,000)</u>	<u>(12,000)</u>	<u>(11,939)</u>	<u>61</u>	<u>(13,302)</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ (1,200)</u>	(1,974)	<u>\$ (774)</u>	210
<b>Fund Balances, Beginning of Year</b>			<u>3,987</u>		<u>3,777</u>
<b>Fund Balances, End of Year</b>			<u>\$ 2,013</u>		<u>\$ 3,987</u>

**City of Fort Valley, Georgia**  
**2008 SPLOST Fund**  
**Comparative Balance Sheet**  
**September 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Intergovernmental receivable	\$ 62,932	\$ -
<b>Total Assets</b>	\$ 62,932	\$ -
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
<b>Fund Balances</b>		
Restricted	62,932	-
<b>Total Liabilities and Fund Balances</b>	\$ 62,932	\$ -

**City of Fort Valley, Georgia**  
**2008 SPLOST Fund**  
**Comparative Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Years Ended September 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Revenues</b>		
Intergovernmental	\$ 250,000	\$ -
<b>Total Revenues</b>	250,000	-
<b>Expenditures</b>		
Intergovernmental	187,068	-
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	62,932	-
<b>Fund Balances, Beginning of Year</b>	-	-
<b>Fund Balances, End of Year</b>	\$ 62,932	\$ -

**City of Fort Valley, Georgia**  
**2004 SPLOST Fund**  
**Comparative Balance Sheet**  
**September 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 412,713	\$ 541,015
<b>Total Assets</b>	\$ 412,713	\$ 541,015
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 6,231	\$ -
Accrued expenditures	797	885
Interfund payable	6,330	1,050
<b>Total Liabilities</b>	\$ 13,358	\$ 1,935
<b>Fund Balances</b>		
Restricted	399,355	539,080
<b>Total Liabilities and Fund Balances</b>	\$ 412,713	\$ 541,015

**City of Fort Valley, Georgia**  
**2004 SPLOST Fund**  
**Comparative Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Years Ended September 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Revenues</b>		
Interest	\$ 4,348	\$ 9,171
<b>Total Revenues</b>	4,348	9,171
<b>Expenditures</b>		
Capital outlay	144,073	129,063
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(139,725)	(119,892)
<b>Fund Balances, Beginning of Year</b>	539,080	658,972
<b>Fund Balances, End of Year</b>	<u>\$ 399,355</u>	<u>\$ 539,080</u>

## **SPECIAL REPORTS SECTION**



**BUTLER, WILLIAMS & WYCHE, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS  
915 HILL PARK  
MACON, GEORGIA 31201

**March 27, 2013**

**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 Honorable Mayor and Members  
of the City Council  
City of Fort Valley, Georgia**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Valley, Georgia, as of and for the year ended September 30, 2012, which collectively comprise the City of Fort Valley, Georgia's basic financial statements and have issued our report thereon dated March 27, 2013. 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**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses: items 2012-5, 2012-6, 2012-7, and 2012-9.

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. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies: items 2012-1, 2012-2, 2012-3, 2012-4, and 2012-10.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Fort Valley, 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 as item 2012-8.

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

We noted certain matters that we reported to the management of the City of Fort Valley, Georgia, in a separate letter dated March 27, 2013.

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

*Butler, Williams & Stycbe, LLP*

Macon, Georgia

*City of Fort Valley, Georgia  
Schedule of Findings  
For the Year Ended September 30, 2012*

- 2012-1**      **Criteria** – Duties should be segregated between employees so that the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different personnel in order to prevent and/or detect unauthorized use of assets.
- Condition** – Certain employees who record transactions in the accounting records also have access to cash and perform bank reconciliations.
- Cause of Condition** – The lack of segregation of duties is due to the limited number of employees that are trained to work on financial records.
- Effect of Condition** – Failure to properly segregate between recording, receipt/distribution, and reconciliation of accounts can result in intentional or unintentional errors that could occur without being promptly detected.
- Recommendation** – To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of the transaction.
- Response/Corrective Action Plan** – We concur. The City has segregated the responsibility of finances as much as possible with the limited staff. We will continue to review the duties performed by the staff available and work to further segregate as much as possible.
- 
- 2012-2**      **Criteria** – When grant funds are received, revenue should be recognized only when grant conditions have been met. Deferred revenues should be recorded if the revenue is earned but unavailable.
- Condition** – In the General Fund, qualifying expenditures were made, but the City failed to record the proper entries for both grant revenues and deferred revenues.
- Cause of Condition** – Insufficient internal controls over grant recording led to the under-reporting of grant revenues and deferred revenues in the General Fund.
- Effect of Condition** – Grant revenues and deferred revenues in the General Fund were understated by \$27,953. Audit adjustments were necessary to correct these misstatements.
- Recommendation** – We recommend the City review its grant revenue and deferred revenue reporting to ensure that revenues are recorded when qualifying expenditures have been made.
- Response/Corrective Action Plan** – We concur. The City will review and monitor grant/deferred revenue accounts in the future and ensure that they are properly recorded.
- 
- 2012-3**      **Criteria** – In proprietary funds, payments of debt principal should be recorded as a reduction in the debt liability, not as a debt service expense. Also, in proprietary funds, interest expense should be recorded on a full accrual basis.
- Condition** – The City recorded its capital lease payment for equipment in the Sanitation fund as a debt service expenditure in the General Fund.
- Cause of Condition** – The City’s internal controls were not sufficient to identify the debt payment as belonging to the Sanitation fund.
- Effect of Condition** – Audit adjustments were needed to decrease debt service expenditures in the General Fund by \$23,694. Audit adjustments were also needed to decrease Sanitation fund capital lease liability by \$16,265 and increase Sanitation fund interest expense by \$7,429.
- Recommendation** – We recommend the City review debt expenditures to ensure they are properly recorded.
- Response/Corrective Action Plan** – We concur. The City will review debt payments and ensure that they are properly recorded in the future.
- 
- 2012-4**      **Criteria** – Investments owned by the City should be recorded on its books at fair market value (FMV).
- Condition** – The City failed to record its investment received from a trust fund at FMV.
- Cause of Condition** – The City’s internal controls were not sufficient to record its investment at FMV.

**City of Fort Valley, Georgia**  
**Schedule of Findings**  
**For the Year Ended September 30, 2012**

**Effect of Condition** – Audit adjustments were needed to increase the FMV of the City’s investment in the General Fund by \$19,238.

**Recommendation** – We recommend the City obtain and review documentation needed to record its investments at year end at fair market value.

**Response/Corrective Action Plan** – We concur. We will review and properly record all investments in the future.

**2012-5**

**Criteria** – Adjusting entries accepted by management should be incorporated in the entity’s financial recording. Accrued receivables/revenues, and liabilities/expenditures/expenses should be reversed in the subsequent year once they have been received or paid, respectively.

**Condition** – Many of the City’s financial accounts did not reflect the effect of prior year adjusting entries.

**Cause of Condition** – The City did not make adjusting entries for adjustments that it accepted as a result of the prior year audit. Necessary reversing entries for prior year accruals were not recorded.

**Effect of Condition** – Multiple accounts, including fund balance, were misstated by material amounts. Audit adjustments were required to correct these misstatements.

**Recommendation** – We recommend that the City improve its controls over financial recording to ensure that adjusting entries accepted by management are recorded and reversed, when applicable, in the City’s books.

**Response/Corrective Action Plan** – We concur. We will put in place procedures so adjusting entries are recorded timely and correctly.

**2012-6**

**Criteria** – Generally accepted accounting principles require that revenues be recorded in the period in which they are both measureable and available to finance current period expenditures. Also, procedures should be in place to ensure all payables and expenditures/expenses are properly recorded, in a timely manner, regardless of the timing of the related cash flows.

**Condition** – The City’s internal controls were not adequate to determine the accruals needed to properly reflect the City’s end of year account balances in receivables/revenues and liabilities/expenditures/expenses.

**Cause of Condition** – During our audit of receivables/revenues and liabilities/expenditures/expenses we noted several audit adjustments that were needed to properly reflect end of year account balances

**Effect of Condition** – Receivables/Revenues and liabilities/expenditures/expenses were materially understated. The following audit adjustments were required to correct these misstatements:

- An audit adjustment in the amount of \$24,110 was necessary to record grant revenues of the current fiscal year that were received after year end.
- Audit adjustments were necessary to record the City’s salary payables and expenditures by \$45,965 in the General Fund and \$6,122 in the Sanitation Fund for amounts incurred during the fiscal year but paid after year end.
- Audit adjustments were necessary to record Sanitation revenues of the current fiscal year that were received after year-end; the total of these adjustments were \$94,174. Additionally, to properly reflect the balance in Sanitation receivables, a net adjustment in the amount of \$7,087 was required.
- An audit adjustment in the amount of \$19,254 was necessary to record Sanitation expenditures incurred during the fiscal year but paid after year end.

**Recommendation** – We recommend that the City review its receivable/revenue accounts to determine that all necessary receivables/revenues have been properly accrued and review liabilities and expenditures/expenses to ensure that expenditures/expenses are recorded in the proper reporting period.

**Response/Corrective Action Plan** – We concur. We will put measures in place to ensure that receivables/revenues and expenditures/expenses are recorded in the proper reporting period.

*City of Fort Valley, Georgia  
Schedule of Findings  
For the Year Ended September 30, 2012*

- 2012-7**      **Criteria** – The City of Fort Valley utilizes a capitalization threshold of \$5,000 for expenditures related to capital asset purchases. At the governmental fund level, expenditures meeting the capital asset threshold are recorded as capital outlay. At the proprietary fund level, expenditures meeting the capital asset threshold are capitalized and recorded as an asset.
- Condition** – In the General Fund, internal controls did not detect an expenditure for equipment that should have been recorded as capital outlay. In the Sanitation Fund, internal controls did not detect an expenditure for equipment that should have been capitalized and recorded as an asset.
- Cause of Condition** – During our audit of capital outlay expenditures in the General Fund, we noted an expenditure that was not recorded on the City’s books. During our audit of expenses in the Sanitation Fund, we noted an expense that should have been capitalized as an asset.
- Effect of Condition** – Capital outlay expenditures in the General Fund were understated by \$14,818. Expenditures in the Sanitation Fund were overstated by \$123,408. Audit adjustments were required to correct these misstatements.
- Recommendation** – We recommend the City review all capital outlay and expense accounts throughout the year to ensure expenditures are being coded and recorded to the correct expenditure or asset accounts.
- Response/Corrective Action Plan** – We concur. We will put procedures in place to ensure that capital outlay and expense accounts are properly coded.
- 
- 2012-8**      **Criteria** – The Official Code of Georgia (OCGA), Section 48-8-121(a)(1), states that SPLOST proceeds shall be kept in a separate account from other funds of the City. The OCGA also states that the funds shall not in any manner be commingled with other City funds prior to their expenditure.
- Condition** – The City recorded \$250,000 received from the 2008 SPLOST in the General Fund.
- Cause of Condition** – The City did not have adequate internal controls to ensure the proper recording of the SPLOST proceeds.
- Effect of Condition** – The City did not comply with state law that prohibits commingling of SPLOST funds.
- Recommendation** – We recommend that the City review this section of the OCGA to ensure that SPLOST proceeds are properly segregated and reported in the correct fund.
- Response/Corrective Action Plan** – We concur. A new account has been established to record SPLOST 2008 funds.
- 
- 2012-9**      **Criteria** – Proprietary funds use the economic resources measurement focus, which requires those funds to report all assets and liabilities, including capital leases. Generally accepted accounting principles require the capitalization of a lease if the title transfers to the payee upon completion of lease payments.
- Condition** – The City signed a lease during the fiscal year that met the above condition and should have been recorded as a capital lease in the Sanitation Fund. Instead, the proceeds from the lease were recorded as Other Revenue.
- Cause of Condition** – The City did not have adequate internal controls to ensure the proper recording of the capital lease proceeds.
- Effect of Condition** – Revenues were overstated by \$125,000; an audit adjustment was required to properly record the proceeds as a capital lease.
- Recommendation** – We recommend the City review the criteria for capitalization of leases to ensure proper recording of leases in the future.
- Response/Corrective Action Plan** – We concur. We will review criteria for capitalization of leases to ensure proper recording in the future.

*City of Fort Valley, Georgia  
Schedule of Findings  
For the Year Ended September 30, 2012*

**Fort Valley Main Street/Downtown Development Authority**

**2012-10**     *Criteria* – Duties should be segregated between employees so that the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different personnel in order to prevent and/or detect unauthorized use of assets.

*Condition* – Fort Valley Main Street/Downtown Development Authority had only one full-time employee and one part-time employee.

*Cause of Condition* – The Executive Director left in the previous fiscal year and has not been replaced.

*Effect of Condition* – Failure to properly segregate between recording, receipt/distribution, and reconciliation of accounts can result in intentional or unintentional errors that could occur without being promptly detected.

*Recommendation* – To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of the transaction.

*Response/Corrective Action Plan* – We concur. A part time administrative assistant has been employed and the duties have been segregated as much as possible.

**City of Fort Valley, Georgia**  
**Schedule of Prior Year Findings**  
**For the Year Ended September 30, 2012**

- 2011-1**      **Condition:** Certain employees who record transactions in the accounting records also have access to cash and perform bank reconciliations.  
**Recommendation:** To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of the transaction.  
**Status:** Unresolved. See 2012-1.
- 2011-2**      **Condition:** In the General Fund, qualifying expenditures were made, but the City failed to record the proper entries for both grant revenues and deferred revenues.  
**Recommendation:** We recommend the City review its grant revenue and deferred revenue reporting to ensure that revenues are recorded when qualifying expenditures have been made.  
**Status:** Unresolved. See 2012-2.
- 2011-3**      **Condition:** The City failed to accrue revenue for Local Option Sales Tax receipts received within 60 days. The City also failed to accrue expenditures for salary and health claim amounts obligated during the fiscal year but paid after year end.  
**Recommendation:** We recommend that the City review its year end adjustments to verify that its accruals are properly recorded.  
**Status:** Partially resolved. See 2012-3.
- 2011-4**      **Condition:** The City recorded its capital lease payment for equipment in the Sanitation fund as a debt service expenditure in the General Fund.  
**Recommendation:** We recommend the City review debt expenditures to ensure they are properly recorded.  
**Status:** Unresolved. See 2012-4.
- 2011-5**      **Condition:** The City recorded grant expenditures for home renovations as capital outlay. These home renovations were for the homes of citizens and did not improve any property held by the City.  
**Recommendation:** We recommend that the City review its capital outlay expenditures to determine that it has possession over the items created or improved.  
**Status:** Resolved.
- 2011-6**      **Condition:** The City failed to record investments received from a trust fund.  
**Recommendation:** We recommend the City obtain and review documentation needed to record its investments at year end at fair market value.  
**Status:** Resolved.

**Fort Valley Main Street/Downtown Development Authority**

- 2011-7**      **Condition:** For much of the fiscal year, Fort Valley Main Street/Downtown Development Authority had only one employee.  
**Recommendation:** To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of the transaction.  
**Status:** Partially resolved. See 2012-10.

**City of Fort Valley, Georgia**  
**Schedule of Projects Undertaken**  
**With Special Purpose Sales Tax Proceeds**  
**For the Year Ended September 30, 2012**

	Original Estimated Cost	Current Estimated Cost	Expenditures			Estimated Percentage of Completion
			In Prior Years	Current Year	Total	
<b>2004 Referendum</b>						
Storm Water Drainage Improvements	\$ 1,250,000	\$ 1,250,000	\$ 960,227	\$ 144,073	\$ 1,104,300	88.3%
<b>2008 Referendum</b>						
Water and Sewer Projects						
Stormwater Drainage	\$ 2,500,000	\$ 2,500,000	\$ -	\$ -	\$ -	0.0%
Public Safety Equipment	500,000	500,000	-	-	-	0.0%
Road, Street and Bridge Purposes	-	250,000	-	187,068	187,068	74.8%
	<u>\$ 3,000,000</u>	<u>\$ 3,250,000</u>	<u>\$ -</u>	<u>\$ 187,068</u>	<u>\$ 187,068</u>	<u>5.8%</u>
<b>2008 Referendum - Main Street DDA</b>						
Cultural, Historical and Recreational Facilities	\$ 75,000	\$ 75,000	\$ 74,841	\$ -	\$ 74,841	99.8%