

CITY OF JONESBORO, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

CITY OF JONESBORO, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

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CITY OF JONESBORO, GEORGIA
ELECTED AND APPOINTED OFFICIALS

ELECTED OFFICIALS

MAYOR

Joy Day

CITY COUNCIL

Joe Compton
Clarence Mann
Wallace Norrington
Pat Sebo
Randy Segner
Bobby Wiggins

APPOINTED OFFICIALS

CITY CLERK

Janice Truhan



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of Jonesboro, Georgia

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jonesboro, Georgia as of December 31, 2012 and the respective changes in financial position, and where applicable thereof, cash flows, and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 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 Jonesboro, Georgia's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Morrow, Georgia
May 21, 2013

CITY OF JONESBORO MANAGEMENT'S DISCUSSION AND ANALYSIS

As management on the City of Jonesboro, we offer readers of the City of Jonesboro's financial statements this narrative overview and analysis of the financial activities of the City of Jonesboro for fiscal year ended December 31, 2012.

Financial Highlights

- The assets of the City of Jonesboro exceeded its liabilities at the close of the most recent fiscal year by \$14,621,479 (*net position*). Of this amount, \$3,126,986 (*unreserved/unassigned net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$870,705.
- As of the close of the current fiscal year, the City of Jonesboro's governmental funds reported combined ending fund balances of \$6,894,107, an increase of \$481,816 in comparison with the prior year. Of this amount \$3,791,516 is restricted and \$3,102,591 is unassigned. The unassigned of \$3,102,591 consists of various assets netted against their respective liabilities. See page 13 for a detail and reconciliation to the governmental activities net position.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,102,591 or 108 percent of total general fund expenditures.
- The City of Jonesboro's total long-term debt decreased by \$109,198 during the current fiscal year. Components of this change include additional capital leases netted with principal maturities in installment notes and capital leases.

Overview of the financial statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include general government, public safety, street, sanitation, and public works. The business-type activity of the City is solid waste management.

The government-wide financial statements can be found on pages 10 and 11 of this report.

CITY OF JONESBORO
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Jonesboro maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the seven special revenue funds.

The City adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 through 16 of this report.

Proprietary fund. The City maintains one type of proprietary fund. *Enterprise funds* (a component of proprietary funds) are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses a utility enterprise fund to account for its sanitation operation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitation operation which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 17 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 37 of this report.

**CITY OF JONESBORO
MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued**

Government-wide financial analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Jonesboro, assets exceeded liabilities by \$14,621,479 at the close of the most recent fiscal year.

A portion of the City's net position (53 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt that is still outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Jonesboro, Georgia
Net Position**

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total Current</u> | <u>Prior</u> |
|--|------------------------------------|-------------------------------------|--------------------------|----------------------|
| Current and other assets | \$ 7,055,745 | \$ 78,697 | \$ 7,134,442 | \$ 6,805,804 |
| Capital assets | <u>8,035,429</u> | <u>12,548</u> | <u>8,047,977</u> | <u>7,840,323</u> |
| Total assets | <u>15,091,174</u> | <u>91,245</u> | <u>15,182,419</u> | <u>14,646,127</u> |
| Current liabilities | 286,717 | 39,223 | 325,940 | 550,353 |
| Long-term liabilities | <u>235,000</u> | <u>0</u> | <u>235,000</u> | <u>345,000</u> |
| Total liabilities | <u>521,717</u> | <u>39,223</u> | <u>560,940</u> | <u>895,353</u> |
| Net position: | | | | |
| Invested in capital assets, net of related debt | 7,690,429 | 12,548 | 7,702,977 | 7,386,125 |
| Restricted | 3,791,516 | 0 | 3,791,516 | 3,525,042 |
| Unrestricted | <u>3,087,512</u> | <u>39,474</u> | <u>3,126,986</u> | <u>2,839,607</u> |
| Total net position | <u>\$ 14,569,457</u> | <u>\$ 52,022</u> | <u>\$ 14,621,479</u> | <u>\$ 13,750,774</u> |

At the end of the current year, the City is able to report positive balances in both categories of net position.

The government's net position increased by \$870,705 during the current fiscal year.

**CITY OF JONESBORO
MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued**

The following tabulation summarizes the components of the City's change in net position.

| City of Jonesboro, Georgia Change in Net Position | | | | |
|--|------------------------------------|-------------------------------------|--------------------------|------------------------|
| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total Current</u> | <u>Total Prior</u> |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 1,366,527 | \$ 130,755 | \$ 1,497,282 | \$ 1,597,540 |
| Capital grants and contributions | 971,315 | 0 | 971,315 | 2,024,638 |
| General revenues: | | | | |
| Taxes | 1,692,532 | 0 | 1,692,532 | 1,569,629 |
| Other | <u>124,482</u> | <u>177</u> | <u>124,659</u> | <u>93,362</u> |
| Total revenues | <u>4,154,856</u> | <u>130,932</u> | <u>4,285,788</u> | <u>5,285,169</u> |
| Expenses: | | | | |
| Primary government: | | | | |
| Administrative | 592,988 | 0 | 592,988 | 623,724 |
| Police | 1,765,544 | 0 | 1,765,544 | 1,761,371 |
| Streets and public works | 910,662 | 0 | 910,662 | 780,112 |
| Interest on long-term debt | 17,741 | 0 | 17,741 | 23,549 |
| Solid waste | <u>0</u> | <u>128,148</u> | <u>128,148</u> | <u>113,477</u> |
| Total expenses | <u>3,286,935</u> | <u>128,148</u> | <u>3,415,083</u> | <u>3,302,233</u> |
| Increase (decrease) in net position | 867,921 | 2,784 | 870,705 | 1,982,936 |
| Net position – January 1, 2012 | <u>13,701,536</u> | <u>49,238</u> | <u>13,750,774</u> | <u>11,767,838</u> |
| Net position – December 31, 2012 | \$ <u>14,569,457</u> | \$ <u>52,022</u> | \$ <u>14,621,479</u> | \$ <u>13,750,774</u> |

Expenses and Program Revenues

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

**CITY OF JONESBORO
MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued**

Financial analysis – continued

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$14,569,457, an increase of \$867,921 in comparison with the prior year. Of this amount, \$3,087,512 constitutes *unreserved fund balance*, which is available for spending at the City's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,102,591. As a measure of the general funds liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 108 percent of total general fund expenditures.

The fund balance of the City's general fund increased by \$215,342 during the current fiscal year. The primary factor in this increase was a decrease in police and streets expenses.

Capital assets and debt administration

Capital assets. The City's investment in capital assets as of December 31, 2012, amounts to \$8,047,977 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, and infrastructure. The total decrease in the City's investment in capital assets for the current fiscal year was 1 percent.

**City of Jonesboro, Georgia
Capital Assets**

| | Governmental Activities | Business-type Activities | Total Current | Total Prior |
|-------------------------------|----------------------------|-----------------------------|---------------------|---------------------|
| Land | \$ 793,644 | \$ 0 | \$ 793,644 | \$ 793,644 |
| Buildings | 2,977,773 | 0 | 2,977,773 | 2,977,773 |
| Improvements | 329,161 | 0 | 329,161 | 314,673 |
| Vehicles | 722,490 | 125,480 | 847,970 | 885,090 |
| Machinery and equipment | 1,560,910 | 0 | 1,560,910 | 1,500,272 |
| Infrastructure | 6,569,891 | 0 | 6,569,891 | 6,184,851 |
| Construction in progress | 315,705 | 0 | 315,705 | 86,857 |
| Less accumulated depreciation | <u>(5,234,145)</u> | <u>(112,932)</u> | <u>(5,347,077)</u> | <u>(4,902,837)</u> |
| Net | <u>\$ 8,035,429</u> | <u>\$ 12,548</u> | <u>\$ 8,047,977</u> | <u>\$ 7,840,323</u> |

Additional information on the City of Jonesboro's capital assets can be found in Note 4-D on page 31 and 32 of this report.

Long-term debt. At the end of the current year, the City had total installment debt outstanding of \$345,000. The full amount comprises debt backed by the full faith and credit of the City.

Additional information on the City's long-term debt can be found in Note 4-F on page 33 of this report.

**CITY OF JONESBORO
MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued**

Requests for Information

This financial report is designed to provide a general overview of the City of Jonesboro's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

The Office of the City Clerk
City of Jonesboro
124 North Avenue
Jonesboro, Georgia 30236

CITY OF JONESBORO, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|--------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 6,159,935 | \$ 78,697 | \$ 6,238,632 |
| Certificate of deposit | 250,000 | 0 | 250,000 |
| Taxes receivables | 55,988 | 0 | 55,988 |
| Intergovernmental receivables | 162,700 | 0 | 162,700 |
| Other receivables | 387,899 | 0 | 387,899 |
| Due from other funds | 39,223 | 0 | 39,223 |
| Capital assets: | | | |
| Land | 793,644 | 0 | 793,644 |
| Buildings | 2,977,773 | 0 | 2,977,773 |
| Improvements | 329,161 | 0 | 329,161 |
| Vehicles | 722,490 | 125,480 | 847,970 |
| Machinery and equipment | 1,560,910 | 0 | 1,560,910 |
| Infrastructure | 6,569,891 | 0 | 6,569,891 |
| Construction in progress | 315,705 | 0 | 315,705 |
| Accumulated depreciation | <u>(5,234,145)</u> | <u>(112,932)</u> | <u>(5,347,077)</u> |
| Total assets | <u>\$ 15,091,174</u> | <u>\$ 91,245</u> | <u>\$ 15,182,419</u> |
| Liabilities | | | |
| Accounts payable | 94,875 | 0 | 94,875 |
| Payroll deductions | 0 | 0 | 0 |
| Accrued expenses | 31,588 | 0 | 31,588 |
| Accrued salaries | 0 | 0 | 0 |
| Compensated absences | 43,986 | 0 | 43,986 |
| Accrued interest | 6,268 | 0 | 6,268 |
| Due to other funds | 0 | 39,223 | 39,223 |
| Installment notes due within one year | 110,000 | 0 | 110,000 |
| Capital leases | 0 | 0 | 0 |
| Non current liabilities: | | | |
| Installment notes due in more than one year | <u>235,000</u> | <u>0</u> | <u>235,000</u> |
| Total liabilities | <u>521,717</u> | <u>39,223</u> | <u>560,940</u> |
| Net position | | | |
| Invested in capital assets, net of related debt | 7,690,429 | 12,548 | 7,702,977 |
| Restricted for – | | | |
| Capital projects | 3,510,123 | 0 | 3,510,123 |
| Police activities | 225,765 | 0 | 225,765 |
| Hotel/Motel | 55,628 | 0 | 55,628 |
| Unrestricted | <u>3,087,512</u> | <u>39,474</u> | <u>3,126,986</u> |
| Total net position | <u>\$ 14,569,457</u> | <u>\$ 52,022</u> | <u>\$ 14,621,479</u> |

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

CITY OF JONESBORO, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

| Functions/Programs | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------------------|----------------------------|--|---|---------------------------------|---------------|
| Governmental activities: | Charges For Services | Capital Grants and Contributions | Governmental Activities | Business- Type Activities | Total |
| Administrative | \$ 592,988 | \$ 0 | \$ (107,408) | \$ 0 | \$ (107,408) |
| Police | 1,765,544 | 0 | (884,597) | 0 | (884,597) |
| Streets and public works | 910,662 | 971,315 | 60,653 | 0 | 60,653 |
| Interest on long-term debt | 17,741 | 0 | (17,741) | 0 | (17,741) |
| Total governmental activities | 3,286,935 | 971,315 | (949,093) | 0 | (949,093) |
| | | | | | |
| Business-type activities: | | | | | |
| Sanitation | 128,148 | 0 | 0 | 2,607 | 2,607 |
| Total business-type activities | 128,148 | 0 | 0 | 2,607 | 2,607 |
| Total | \$ 3,415,083 | \$ 971,315 | \$ (949,093) | \$ 2,607 | \$ (946,486) |
| | | | | | |
| General revenues: | | | | | |
| Property taxes | | | 94,371 | 0 | 94,371 |
| Franchise taxes | | | 345,969 | 0 | 345,969 |
| Sales taxes | | | 1,140,215 | 0 | 1,140,215 |
| Alcoholic beverage taxes | | | 89,822 | 0 | 89,822 |
| Hotel motel taxes | | | 22,155 | 0 | 22,155 |
| Investment earnings | | | 2,671 | 107 | 2,778 |
| Contributions and donations | | | 5,180 | 0 | 5,180 |
| Miscellaneous | | | 116,631 | 70 | 116,701 |
| Total general revenues | | | 1,817,014 | 177 | 1,817,191 |
| Transfers | | | 0 | 0 | 0 |
| Total general revenues and transfers | | | 1,817,014 | 177 | 1,817,191 |
| Change in net position | | | 867,921 | 2,784 | 870,705 |
| Net position – beginning of period | | | 13,701,536 | 49,238 | 13,750,774 |
| Net position – end of period | | | \$ 14,569,457 | \$ 52,022 | \$ 14,621,479 |

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

**CITY OF JONESBORO, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

| | <u>General Fund</u> | <u>Downtown Streetscape</u> | <u>SPLOST</u> | <u>Special Revenue Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---------------------------------|---------------------|--------------------------------------|---|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 2,736,788 | \$ 61,513 | \$ 3,085,233 | \$ 276,401 | \$ 6,159,935 |
| Certificate of deposit | 0 | 250,000 | 0 | 0 | 250,000 |
| Taxes receivable | 55,988 | 0 | 0 | 0 | 55,988 |
| Intergovernmental receivables | 0 | 0 | 162,700 | 0 | 162,700 |
| Other receivables | 386,376 | 0 | 0 | 1,523 | 387,899 |
| Due from other funds | <u>62,265</u> | <u>0</u> | <u>0</u> | <u>4,188</u> | <u>66,453</u> |
| Total current assets | <u>3,241,417</u> | <u>311,513</u> | <u>3,247,933</u> | <u>282,112</u> | <u>7,082,975</u> |
| Total assets | <u>\$ 3,241,417</u> | <u>\$ 311,513</u> | <u>\$ 3,247,933</u> | <u>\$ 282,112</u> | <u>\$ 7,082,975</u> |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 67,875 | \$ 0 | \$ 27,000 | \$ 0 | \$ 94,875 |
| Accrued expenses | 31,588 | 0 | 0 | 0 | 31,588 |
| Due to other funds | 4,188 | 22,323 | 0 | 719 | 27,230 |
| Deferred revenue | <u>35,175</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>35,175</u> |
| Total current liabilities | <u>138,826</u> | <u>22,323</u> | <u>27,000</u> | <u>719</u> | <u>188,868</u> |
| Fund balances | | | | | |
| Restricted | 0 | 289,190 | 3,220,933 | 281,393 | 3,791,516 |
| Unassigned | <u>3,102,591</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>3,102,591</u> |
| Total fund balances | <u>3,102,591</u> | <u>289,190</u> | <u>3,220,933</u> | <u>281,393</u> | <u>6,894,107</u> |
| Total liabilities and fund balances | <u>\$ 3,241,417</u> | <u>\$ 311,513</u> | <u>\$ 3,247,933</u> | <u>\$ 282,112</u> | <u>\$ 7,082,975</u> |

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

**CITY OF JONESBORO, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012**

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

Total fund balances – total governmental funds \$ 6,894,107

Amounts reported for government activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and , therefore, are not reported in the funds. 8,035,429

Some of the City’s taxes will be collected after year-end, but are not available soon enough to pay for the current period’s expenditures, and therefore are reported as deferred revenue in the funds. 35,175

Long-term liabilities, including bonds payable, capital leases, and compensated absences are not due and payable in the current period and therefore are not reported in the funds. (395,254)

Net position of governmental activities \$ 14,569,457

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

CITY OF JONESBORO, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

| | General Fund | Downtown Streetscape | SPLOST | Special Revenue Funds | Total Governmental Funds |
|--|---------------------|-------------------------|---------------------|-----------------------------|--------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 1,665,682 | \$ 0 | \$ 0 | \$ 22,155 | \$ 1,687,837 |
| Licenses and permits | 460,564 | 0 | 0 | 0 | 460,564 |
| Intergovernmental | 0 | 0 | 969,433 | 0 | 969,433 |
| Charges for services | 25,016 | 0 | 0 | 0 | 25,016 |
| Fines and forfeitures | 818,764 | 0 | 0 | 33,284 | 852,048 |
| Interest on investments | 1,755 | 696 | 1,882 | 220 | 4,553 |
| Contributions and donations | 5,180 | 0 | 0 | 0 | 5,180 |
| Miscellaneous | 111,873 | 8,680 | 0 | 0 | 120,553 |
| Program receipts | 0 | 0 | 0 | 28,899 | 28,899 |
| Total revenues | <u>3,088,834</u> | <u>9,376</u> | <u>971,315</u> | <u>84,558</u> | <u>4,154,083</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Administrative | 505,051 | 0 | 0 | 13,711 | 518,762 |
| Police | 1,629,038 | 0 | 0 | 49,026 | 1,678,064 |
| Street and public works | 568,952 | 0 | 0 | 0 | 568,952 |
| Capital outlay: | | | | | |
| Police | 25,725 | 0 | 0 | 107,662 | 133,387 |
| Street and public works | 15,738 | 532,571 | 95,805 | 0 | 644,114 |
| Capital lease payments: | | | | | |
| Street and public works | 4,198 | 0 | 0 | 0 | 4,198 |
| Debt service: | | | | | |
| Principal | 105,000 | 0 | 0 | 0 | 105,000 |
| Interest | 19,790 | 0 | 0 | 0 | 19,790 |
| Total expenditures | <u>2,873,492</u> | <u>532,571</u> | <u>95,805</u> | <u>170,399</u> | <u>3,672,267</u> |
| Excess (Deficiency) of revenues over (under) expenditures | 215,342 | (523,195) | 875,510 | (85,841) | 481,816 |
| Fund balance – beginning of period | <u>2,887,249</u> | <u>812,385</u> | <u>2,345,423</u> | <u>367,234</u> | <u>6,412,291</u> |
| Fund balance – end of period | <u>\$ 3,102,591</u> | <u>\$ 289,190</u> | <u>\$ 3,220,933</u> | <u>\$ 281,393</u> | <u>\$ 6,894,107</u> |

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

**CITY OF JONESBORO, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

| | | |
|--|------------------|-------------------|
| Net changes in fund balances – total governmental funds | | \$ 481,816 |
| <p>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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p> | | |
| Capital outlay for the current period | 763,364 | |
| Depreciation expense for the current period | <u>(526,692)</u> | 236,672 |
| <p>Property taxes are reported as revenues in the funds when the resources are measurable and available. Property taxes are reported as revenues in the Statement of Activities when they represent a legally enforceable claim.</p> | | |
| | | 4,695 |
| <p>Net effect of disposal of capital assets in the current year.</p> | | |
| | | (3,922) |
| <p>Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however, has no effect on net position.</p> | | |
| Bond principal payments | 105,000 | |
| Capital lease principal payments | <u>4,198</u> | 109,198 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> | | |
| Accrued interest | 2,049 | |
| Accrued salaries | 41,489 | |
| Compensated absences | <u>(4,076)</u> | <u>39,462</u> |
| Change in net position of governmental activities | | \$ <u>867,921</u> |

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

CITY OF JONESBORO, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

| | <u>BUDGET AMOUNTS</u> | | | <u>VARIANCE WITH FINAL BUDGET</u> |
|--|-----------------------|-------------------|---------------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | |
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 69,000 | \$ 89,705 | \$ 89,676 | \$ (29) |
| Franchise | 273,500 | 355,760 | 345,969 | (9,791) |
| Sales | 1,020,000 | 1,020,000 | 1,140,215 | 120,215 |
| Alcoholic beverages | 65,000 | 85,600 | 89,822 | 4,222 |
| Licenses and permits | 422,100 | 451,881 | 460,564 | 8,683 |
| Charges for services | 21,600 | 16,385 | 25,016 | 8,631 |
| Fines and forfeitures | 800,000 | 902,000 | 818,764 | (83,236) |
| Investment income | 3,725 | 1,750 | 1,755 | 5 |
| Contributions and donations | 0 | 6,480 | 5,180 | (1,300) |
| Miscellaneous | <u>90,000</u> | <u>110,076</u> | <u>111,873</u> | <u>1,797</u> |
| Total revenues | <u>2,764,925</u> | <u>3,039,637</u> | <u>3,088,834</u> | <u>49,197</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administrative | 490,361 | 550,835 | 505,051 | 45,784 |
| Police | 1,605,741 | 1,716,429 | 1,629,038 | 87,391 |
| Street and public works | 546,540 | 613,600 | 568,952 | 44,648 |
| Capital outlay: | | | | |
| Police | 0 | 25,725 | 25,725 | 0 |
| Street and public works | 5,153 | 5,153 | 15,738 | (10,585) |
| Capital lease payments: | | | | |
| Street and public works | <u>4,200</u> | <u>4,200</u> | <u>4,198</u> | <u>2</u> |
| Total current expenditures | <u>2,651,995</u> | <u>2,915,942</u> | <u>2,748,702</u> | <u>167,240</u> |
| Debt service: | | | | |
| Principal | 110,700 | 105,100 | 105,000 | 100 |
| Interest | <u>14,230</u> | <u>19,830</u> | <u>19,790</u> | <u>40</u> |
| Total debt service | <u>124,930</u> | <u>124,930</u> | <u>124,790</u> | <u>140</u> |
| Total expenditures | <u>2,776,925</u> | <u>3,040,872</u> | <u>2,873,492</u> | <u>167,380</u> |
| Excess (Deficiency) of revenues over (under) expenditures | \$ <u>(12,000)</u> | \$ <u>(1,235)</u> | 215,342 | \$ <u>216,577</u> |
| Fund balance – beginning of year | | | <u>2,887,249</u> | |
| Fund balance – end of year | | | \$ <u>3,102,591</u> | |

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

**CITY OF JONESBORO, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2012**

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND | |
|--|---|-------------------|
| | Sanitation | |
| | Fund | |
| | 2012 | 2011 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ <u>78,697</u> | \$ <u>89,744</u> |
| Total current assets | <u>78,697</u> | <u>89,744</u> |
| Non-current assets: | | |
| Capital assets | | |
| Machinery and equipment | 125,480 | 125,480 |
| Less accumulated depreciation | <u>(112,932)</u> | <u>(87,836)</u> |
| Total capital assets (net of accumulated depreciation) | <u>12,548</u> | <u>37,644</u> |
| Total non-current assets | <u>12,548</u> | <u>37,644</u> |
| Total assets | \$ <u>91,245</u> | \$ <u>127,388</u> |
| Liabilities | | |
| Current liabilities: | | |
| Due to other funds | \$ <u>39,223</u> | \$ <u>78,150</u> |
| Total current liabilities | <u>39,223</u> | <u>78,150</u> |
| Total liabilities | <u>39,223</u> | <u>78,150</u> |
| Net Position | | |
| Invested in capital assets, net of related debt | 12,548 | 37,644 |
| Unrestricted | <u>39,474</u> | <u>11,594</u> |
| Total net position | \$ <u>52,022</u> | \$ <u>49,238</u> |

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

CITY OF JONESBORO, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND | |
|--|---|------------------|
| | Sanitation | |
| | Fund | |
| | 2012 | 2011 |
| Operating Revenues: | | |
| Charges for services | \$ 130,755 | \$ 99,877 |
| Other income | <u>70</u> | <u>45</u> |
| Total operating revenues | <u>130,825</u> | <u>99,922</u> |
| Operating Expenses: | | |
| Salaries and wages | 46,443 | 43,093 |
| Supplies | 41,275 | 36,947 |
| Depreciation | 25,096 | 25,096 |
| Insurance | 11,800 | 4,974 |
| Payroll taxes | <u>3,534</u> | <u>3,367</u> |
| Total operating expenses | <u>128,148</u> | <u>113,477</u> |
| Income (loss) from operations | 2,677 | (13,555) |
| Non-operating Revenues (Expense): | | |
| Interest income | 107 | 169 |
| Interest expense | <u>0</u> | <u>(1,144)</u> |
| Change in net position | 2,784 | (14,530) |
| Total net position, beginning of year | <u>49,238</u> | <u>63,768</u> |
| Total net position, end of year | <u>\$ 52,022</u> | <u>\$ 49,238</u> |

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

**CITY OF JONESBORO, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND</u> | |
|---|---|------------------|
| | Sanitation Fund | |
| | 2012 | 2011 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 130,825 | \$ 129,035 |
| Cash paid to suppliers for goods and services | (53,075) | (41,921) |
| Cash paid to employees | <u>(49,977)</u> | <u>(46,460)</u> |
| Net cash provided by operating activities | <u>27,773</u> | <u>40,654</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest earned | <u>107</u> | <u>169</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | |
| Payment on capital lease | 0 | (26,186) |
| Interest paid | 0 | (1,144) |
| Due from other funds | <u>(38,927)</u> | <u>2,642</u> |
| Net cash used in capital financing activities | <u>(38,927)</u> | <u>(24,688)</u> |
| NET CHANGE IN CASH | (11,047) | 16,135 |
| CASH AT BEGINNING OF YEAR | <u>89,744</u> | <u>73,609</u> |
| CASH AT END OF YEAR | <u>\$ 78,697</u> | <u>\$ 89,744</u> |
| RECONCILIATION OF NET OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES: | | |
| Net operating loss | \$ 2,677 | \$ (13,555) |
| Adjustments to reconcile net operating income to net cash used in operating activities: | | |
| Depreciation expense | 25,096 | 25,096 |
| Increase in accounts receivable | <u>0</u> | <u>29,113</u> |
| Net cash used in operating activities | <u>\$ 27,773</u> | <u>\$ 40,654</u> |

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

**CITY OF JONESBORO, GEORGIA
NOTE TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities, if applicable, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

B. Reporting Entity

The City of Jonesboro was incorporated December 13, 1859. The City operates under the Mayor and Council form of government and provides general administrative services as authorized by its charter.

The City's combined balance sheet includes the amounts of all City operations. Management of the City has reviewed all potential component units to determine if any should be included in these financial statements. As defined by the Governmental Accounting Standards Board Statement 14, *component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusions would cause the reporting entity's financial statements to be misleading or incomplete.* Management has concluded that there are no component units that should be included in these financial statements.

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Measurement focus, basis of accounting, and financial statement presentation

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

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

Sales tax, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *downtown streetscape fund* is used for capital improvements for the streets of the City.

The *SPLOST fund* is used for projects related to the special purpose local option sales tax received.

The government reports the following major proprietary funds:

The sanitation fund accounts for the activities of the government's solid waste disposal operations.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Assets, liabilities, and net position or equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by a security bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance. OCGA Section 45-8-11(b) provides an officer holding public funds may, in his discretion, waive the requirement for security in the case of operating funds placed in the demand deposit checking accounts.

Security for deposits may consist of any one of or any combination of the following:

1. Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia.
2. Insurance on accounts provided by the Federal Deposit Insurance Corporation.
3. Bonds, bills, certificates of indebtedness, notes or other direct obligations of the United States or of the State of Georgia.
4. Bonds, bills, certificates of indebtedness, notes or other direct obligations of the counties or municipalities of the State of Georgia.
5. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

1. Deposits and investments – (continued)

6. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
7. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, and Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

The City has no custodial credit risk policy that would require additional collateral requirements.

Statutes authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, and State of Georgia obligations. Investments for the Government are reported at fair value.

2. Receivables and payables

Property taxes were levied on October 20, 2012 based upon property values assessed as of January 1. The City's millage rate is levied on taxable property, which is assessed at 40% of estimated fair market value. Tax bills were mailed on October 20, 2012, and payable on or before December 20, 2012, for the 2012 taxes. Due to this date being so close to the holidays, the City extended the due date to January 5, 2013 before late fees were assessed. The City did not setup a lien date in the current year.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

3. Inventories

Inventories of governmental funds are accounted for under the purchases method, and accordingly are recorded as expenditures when purchased rather than when consumed.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

4. Capital assets – (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------|--------------|
| Buildings | 50 |
| Infrastructure | 20 |
| Automobiles and trucks | 5 |
| Machinery and equipment | 5/10 |
| Furniture and fixtures | 5 |

5. Compensated absences

It is the City's policy to permit employees to accumulate earned, but unused annual and sick pay benefits. Annual and sick leave each accrue in hours at the rate of 12 days per year. In addition to the regular accrual, an employee shall receive an additional one-day of annual and sick leave for each two years of full-time service with the City, not to exceed twenty-two days per year. Annual leave may be accrued up to 360 hours or 45 days.

There is no limit to the amount of accrual for sick leave. Pay in lieu of accrued personal leave is authorized when an employee is separated from employment. An employee, upon separation from service, shall not be eligible to receive payment for any accumulated sick leave. Unused sick leave at time of separation for retirement shall be added to service time at a rate of twenty days equals one month of service. The government-wide financial statements reflect an accrual for the full earned, but unused vacation pay.

6. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, if any, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

7. Fund equity

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five categories (1) Non-spendable, (2) Restricted, (3) Committed, (4) Assigned, and (5) Unassigned. *Non-spendable fund balances* refer to amounts that are not in non-spendable form or are legally required to remain intact. *Restricted fund balances* refer to amounts that are subject to externally enforceable legal restrictions by either debt covenants, or laws or regulations of other governments. *Committed fund balances* refer to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council prior to the end of the fiscal year. The same formal action is required to remove the limitation. *Assigned fund balances* refer to amounts that are intended to be used for specific purposes. *Unassigned fund balances* refer to the residual net resources and are the excess of non-spendable, restricted, committed, and assigned. Fund expenditures and encumbrances are from restricted fund balance to the extent of the restricted fund revenue and followed by committed then assigned and unassigned fund balance.

Below are the fund balance classifications for the governmental funds at December 31, 2011:

| | General | Downtown Streetscape | SPLOST | Other Governmental Funds | Total |
|----------------------|---------------------|-------------------------|---------------------|--------------------------------|---------------------|
| Fund balances | | | | | |
| Restricted for: | | | | | |
| Capital projects | \$ 0 | \$ 812,385 | \$ 2,345,423 | \$ 78,140 | \$ 3,235,948 |
| Police activities | 0 | 0 | 0 | 241,910 | 241,910 |
| Hotel/Motel | 0 | 0 | 0 | 47,184 | 47,184 |
| Unassigned | <u>2,887,249</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>2,887,249</u> |
| Total fund balances | <u>\$ 2,887,249</u> | <u>\$ 812,385</u> | <u>\$ 2,345,423</u> | <u>\$ 367,234</u> | <u>\$ 6,412,291</u> |

Below are the fund balance classifications for the governmental funds at December 31, 2012:

| | General | Downtown Streetscape | SPLOST | Other Governmental Funds | Total |
|----------------------|---------------------|-------------------------|---------------------|--------------------------------|---------------------|
| Fund balances | | | | | |
| Restricted for: | | | | | |
| Capital projects | \$ 0 | \$ 289,190 | \$ 3,220,933 | \$ 78,196 | \$ 3,588,319 |
| Police activities | 0 | 0 | 0 | 147,569 | 147,569 |
| Hotel/Motel | 0 | 0 | 0 | 55,628 | 55,628 |
| Unassigned | <u>3,102,591</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>3,102,591</u> |
| Total fund balances | <u>\$ 3,102,591</u> | <u>\$ 289,190</u> | <u>\$ 3,220,933</u> | <u>\$ 281,393</u> | <u>\$ 6,894,107</u> |

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

7. Fund equity – (continued)

Equity for government-wide and proprietary fund statements is classified as net position and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on its use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

When an expenditure is incurred for purpose for which both restricted and unrestricted net position is available, the City considers restricted funds to have been spent first.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement is effective for financial statements for periods beginning after December 15, 2011. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The City implemented GASB 63 during FY 2012. This statement had no significant impact on the City.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(395,254) difference are as follows:

| | |
|---|---------------------|
| Accrued interest | \$ (6,268) |
| Bonds payable | (345,000) |
| Compensated absences | <u>(43,986)</u> |
| Net adjustment to reduce fund balance – total governmental funds to arrive at net position – activities | \$ <u>(395,254)</u> |

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "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 and reported as depreciation expense." The details of this \$236,672 difference are as follows:

| | |
|--|-------------------|
| Capital outlay | \$ 763,364 |
| Depreciation expense | <u>(526,692)</u> |
| Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities | \$ <u>236,672</u> |

Another element of that reconciliation states that "Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however, this transaction has no effect on net position." The details of this \$109,198 difference are as follows:

| | |
|--|-------------------|
| Principal repayments: | |
| Installment agreement | \$ 105,000 |
| Capital lease | <u>4,198</u> |
| Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities | \$ <u>109,198</u> |

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$39,462 difference are as follows:

| | |
|--|------------------|
| Decrease in accrued interest | \$ 2,049 |
| Decrease in accrued salaries | 41,489 |
| Increase in compensated absences | <u>(4,076)</u> |
| Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities | \$ <u>39,462</u> |

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

3. Stewardship, compliance, and accountability

A. Budgetary Information

The annual budget is the financial plan for the operation of the City for the ensuing annual period. The budget process provides for a professional management approach to the establishment of priorities and the implementation of work programs while providing an orderly means for control and evaluation of the financial posture of the Government. The City is required to adopt an annual budget no later than the beginning of each fiscal year. The Mayor is required to prepare and submit a budget to the Council for review and adoption. The budget is accompanied by a message from the Mayor containing a statement of general fiscal policies of the City, the important features of the budgets, explanations of the major changes recommended for the next fiscal year, a general summary of the budgets, and such other comments and information as may be deemed pertinent. The Council may approve, reject, or modify the proposed budget. The council holds public hearings and a final budget must be prepared and approved no later than December 31.

Upon recommendation of the Mayor and approval of the Council, the City may make interfund or interdepartmental transfers in the current operating or capital improvements budgets at any regular or special meeting called for such purpose, provided funds are available. The budget is prepared and adopted on a basis consistent with generally accepted accounting principles.

Annual budgets are adopted for the General Fund, and Special Revenue Funds.

The legal level of budgetary control is the department level within individual funds. Increases in the total appropriations of a department, whether accomplished through an increase in estimated revenues or through a transfer of appropriations among departments, require the recommendation of the Mayor and approval of the Council.

Appropriations lapse at year-end.

Council made several supplemental budgetary appropriations throughout the year.

B. Excess of expenditures over appropriations

The General Fund's fines and forfeitures revenues did not exceed the fund's respective appropriations by \$83,236. This was due to fluctuations in the issuance and payments of fines during the year.

The General Fund's contributions and donations revenues did not exceed the fund's respective appropriations by \$1,300. This was due to fluctuations in contributions and donations given at different events held in the City during the year.

The General Fund's street and public works had capital outlay expenditures of \$15,738 which exceeded the department's respective appropriations by \$10,585. This was due to the cost of new mower equipment being included in the current expenditures budget.

The Special Revenue Fund, Technology, did not have fines and forfeitures revenue that exceeded the fund's respective appropriations by \$1,716. This was due to the fluctuations on fees received from fine payments.

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

3. Stewardship, compliance, and accountability – (Continued)

B. Excess of expenditures over appropriations – (continued)

The Special Revenue Fund, Downtown Streetscape, did not have intergovernmental revenue that exceeded the fund's respective appropriations by \$264,323. This was due to the budgeted grant funds were recognized in the prior year as receivables.

The Special Revenue Fund, Downtown Streetscape, had capital outlay expenditures that exceeded the respective appropriations by \$292,571. This was due to engineering expenses being included in the current expenditures budget, and expenditures being accrued for projects that carried over into the subsequent period.

The Special Revenue Fund, Downtown Streetscape, had no transfers in the current year. This was due to the City using the reserves in this fund for the expenditures.

4. Detailed notes on all funds

A. Deposits and investments

The City's deposits and investments are subject to interest rate risk and credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates. Credit risk is the risk that an issuer or counter party to an investment may not adequately protect the value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing exposure to losses arising from increased interest rates.

At year-end, the City's carrying amount of deposits was \$6,238,632 and the bank balance was \$6,273,978. Of the bank balance \$250,000 was covered by federal depository insurance or by collateral held by the City's agent in the City's name. Of the remaining balance, \$6,023,978 was collateralized by the pledging financial institution with securities held in its pooled account as provided for by state statutes.

B. Receivables

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

| | <u>General</u> | <u>SPLOST</u> | <u>Hotel/ Motel</u> | <u>Total</u> |
|-------------------|-------------------|-------------------|-------------------------|-------------------|
| Receivables: | | | | |
| Taxes | \$ 55,988 | \$ 0 | \$ 0 | \$ 55,988 |
| Intergovernmental | 0 | 162,700 | 0 | 162,700 |
| Other | <u>386,376</u> | <u>0</u> | <u>1,523</u> | <u>387,899</u> |
| Gross receivables | <u>\$ 442,364</u> | <u>\$ 162,700</u> | <u>\$ 1,523</u> | <u>\$ 606,587</u> |

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

4. Detailed notes on all funds – (Continued)

C. Interfund balances and transfers

Interfund balances and transfers represent amounts transferred among funds to establish new funds, and meet cash flow requirements. Interfund balances and transfers for the year were as follows.

Interfund transfers:

No transfers in current year.

Interfund balances:

| | | | |
|-----------|----------------------|----|---------------|
| Due to: | DEA Confiscated Fund | \$ | 249 |
| | Technology Fund | | <u>3,939</u> |
| Due from: | General Fund | \$ | <u>4,188</u> |
| Due from: | LARP Fund | \$ | 719 |
| | Downtown Streetscape | | 22,323 |
| | Enterprise Fund | | <u>39,223</u> |
| Due to: | General Fund | \$ | <u>62,265</u> |

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

4. Detailed notes on all funds – (Continued)

D. Capital assets

Capital assets activity for the year ended December 31, 2012, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|-------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 793,644 | \$ 0 | \$ 0 | \$ 793,644 |
| Construction in progress | <u>86,857</u> | <u>228,848</u> | <u>0</u> | <u>315,705</u> |
| Total capital assets, not being depreciated | 880,501 | 228,848 | 0 | 1,109,349 |
| Capital assets, being depreciated: | | | | |
| Buildings | 2,977,773 | 0 | 0 | 2,977,773 |
| Improvements | 314,673 | 14,488 | 0 | 329,161 |
| Vehicles | 759,610 | 74,350 | 111,470 | 722,490 |
| Machinery and equipment | 1,500,272 | 60,638 | 0 | 1,560,910 |
| Infrastructure | <u>6,184,851</u> | <u>385,040</u> | <u>0</u> | <u>6,569,891</u> |
| Total capital assets, being depreciated | <u>11,737,179</u> | <u>534,516</u> | <u>111,470</u> | <u>12,160,225</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 760,734 | 75,786 | 0 | 836,520 |
| Improvements | 238,744 | 20,704 | 0 | 259,448 |
| Vehicles | 646,971 | 71,534 | 107,548 | 610,957 |
| Machinery and equipment | 1,419,882 | 39,798 | 0 | 1,459,680 |
| Infrastructure | <u>1,748,670</u> | <u>318,870</u> | <u>0</u> | <u>2,067,540</u> |
| Total accumulated depreciation | <u>4,815,001</u> | <u>526,692</u> | <u>107,548</u> | <u>5,234,145</u> |
| Total capital assets, being depreciated, net | <u>6,922,178</u> | <u>7,824</u> | <u>3,922</u> | <u>6,926,080</u> |
| Governmental activities capital assets, net | <u>\$ 7,802,679</u> | <u>\$ 236,672</u> | <u>\$ 3,922</u> | <u>\$ 8,035,429</u> |

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

Governmental activities:

| | |
|--|-------------------|
| Administrative | \$ 77,729 |
| Police | 103,856 |
| Streets | <u>345,107</u> |
| Total Depreciation Expense – Governmental Activities | <u>\$ 526,692</u> |

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

4. Detailed notes on all funds – (Continued)

Capital assets activity for the year ended December 31, 2012, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|------------------|---------------------------|
| Business-type activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Vehicles | \$ <u>125,480</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>125,480</u> |
| Total capital assets, being depreciated | <u>125,480</u> | <u>0</u> | <u>0</u> | <u>125,480</u> |
| Less accumulated depreciation for: | | | | |
| Vehicles | <u>87,836</u> | <u>25,096</u> | <u>0</u> | <u>112,932</u> |
| Total accumulated depreciation | <u>87,836</u> | <u>25,096</u> | <u>0</u> | <u>112,932</u> |
| Business-type activities capital assets, net | \$ <u>37,644</u> | \$ <u>(25,096)</u> | \$ <u>0</u> | \$ <u>12,548</u> |

E. Capital leases

The City has entered into lease agreements as lessee for financing the acquisition of police vehicles by means of lease. These agreements qualify as capital leases and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--------------------------------|------------------------------------|-------------------------------------|
| Asset: | | |
| Vehicles | \$ 355,703 | \$ 125,480 |
| Machinery and equipment | 56,309 | 0 |
| Less: accumulated depreciation | <u>(387,216)</u> | <u>(112,932)</u> |
| Total | \$ <u>24,796</u> | \$ <u>12,548</u> |

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

4. Detailed notes on all funds – (Continued)

F. Long-term debt

Installment Purchase Agreement

In December 2001, the City entered into an installment purchase agreement with the Georgia Municipal Association (GMA) in order to obtain long-term financing for the City’s new police and fire station facilities. The City transferred title to these facilities to GMA and agreed to purchase the facilities from GMA for \$1,270,000, payable in annual installments in 2002 through 2015, plus interest at 4.360%. GMA has assigned its interest in the agreement to Wachovia Bank. The City may elect to terminate the agreement in any year by non-appropriation of the required installment payments. The City also has an option to prepay the outstanding balance. The cost of the police and fire station facilities in the total amount of \$2,567,071 is included in the general capital assets account group.

Annual debt service requirements to maturity for general obligation bonds are as follows:

| <u>Year ending</u> <u>December 31</u> | <u>Governmental Activities</u> | | |
|--|--------------------------------|------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2013 | \$ 110,000 | \$ 15,042 | \$ 125,042 |
| 2014 | 115,000 | 10,246 | 125,246 |
| 2015 | 120,000 | 5,232 | 125,232 |
| | <u>\$ 345,000</u> | <u>\$ 30,520</u> | <u>\$ 375,520</u> |

Changes in long-term liabilities:

Long-term liability activity for the year ended December 31, 2012, was as follows:

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending</u> <u>Balance</u> | <u>Due within</u> <u>One year</u> |
|--------------------------|------------------------------------|------------------|-------------------|---------------------------------|--------------------------------------|
| Governmental activities: | | | | | |
| *Installment obligations | \$ 450,000 | \$ 0 | \$ 105,000 | \$ 345,000 | \$ 110,000 |
| *Capital leases | 4,198 | 0 | 4,198 | 0 | 0 |
| *Accrued interest | 8,317 | 6,268 | 8,317 | 6,268 | 6,268 |
| *Accrued salaries | 41,489 | 0 | 41,489 | 0 | 0 |
| *Compensated absences | 39,910 | 43,986 | 39,910 | 43,986 | 43,986 |
| Total | <u>\$ 543,914</u> | <u>\$ 50,254</u> | <u>\$ 198,914</u> | <u>\$ 395,254</u> | <u>\$ 160,254</u> |

* Typically liquidated with General Fund resources.

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

5. Other information

A. Risk management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance coverage on real and personal property, automobiles, and liability with a private insurance carrier.

B. Related organizations

The Jonesboro Housing Authority is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of members appointed by the City of Jonesboro, Georgia. The City of Jonesboro, Georgia, is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Jonesboro, Georgia, is a related organization.

C. Contingent liabilities

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

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will most likely not have a material effect on the financial condition of the government.

D. Joint venture

Under Georgia law, the City, in conjunction with other cities and counties in the thirteen County Metro Atlanta area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto. During its year ended December 31, 2012, the City paid all dues assessed. Membership in the ARC is required by the *Official Code of Georgia Annotated* (OCGA) Section 50-8-34 which provides for the organization structure of the Regional Development Center (RDC) in Georgia. The ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from:

Atlanta Regional Commission
40 Courtland St. NE
Atlanta, GA 30303

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

5. Other information – (Continued)

E. Hotel/Motel tax

The City has levied a lodging tax pursuant to state statutes. A summary of the transactions for the year ended December 31, 2012, follows:

| | |
|---------------------------|-----------------|
| Receipts | |
| Hotel/Motel tax collected | \$ 22,155 |
| Expenditures | |
| Visitors Center/Tourism | 6,856 |
| Historic Jonesboro | <u>6,855</u> |
| | <u>\$ 8,444</u> |

F. Employee retirement system and pension plans

Pension plans - primary government

Plan description The City has a non-contributory defined benefit pension plan (The City of Jonesboro Retirement Plan) covering all full time employees. The plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Benefit provisions and all other requirements are established by State Statute and City ordinance. The plan provides pension benefits and death and disability benefits for all full time employees with one year or more of service. Benefits vest after 10 years of service. City employees who retire at age 65 with 5 years of service or age 55 with 10 years of service are entitled to a monthly retirement benefit based upon average earnings and years of credited service. Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to:

Georgia Municipal Association
201 Pryor Street
Atlanta, GA 30303
404-688-0472

Funding Policy The City is required to contribute at an actuarially determined rate. The contribution requirements of the plan members and the City are determined under *Public Retirement Standards Law* (Georgia Code Section 47-20-10) and meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of Statement 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period and related method for amortizing the initial unfunded actuarial 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 closed for this plan year.

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

5. Other information – (Continued)

Annual Pension Cost Annual pension cost of \$98,728 was equal to the City's recommended and actual contributions. The contributions are determined under the projected unit credit actuarial cost method and asset valuation method for developing the actuarial value of assets. The significant actuarial assumptions used in the current valuation are:

| | |
|----------------------------------|----------------|
| rate of return on investment | 7.75% per year |
| projected salary increases | 3.5% per year |
| inflation | 3.5% per year |
| post retirement benefit increase | Not applicable |

The actuarial value of plan assets was determined by rolling forward prior years actuarial value with contributions, disbursements, and expected return on investments. Preliminary actuarial value of assets plus (minus) 10% of the amount that market value of assets exceeds (is less than) expected actuarial value of assets. The actuarial value of assets 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.

Funded Status The table below sets forth required supplementary information to be disclosed in the schedule of funding progress. The items presented are based on the July 1 actuarial valuation:

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---|------------------|------------------|------------------|
| • actuarial value of assets | \$ 2,109,326 | \$ 1,929,301 | \$ 1,878,736 |
| • actuarial accrued liability | <u>2,144,911</u> | <u>2,135,467</u> | <u>2,102,917</u> |
| • total unfunded actuarial liability (funding excess) | 35,585 | 206,166 | 224,181 |
| • funded ratio | 98.3% | 90.4% | 89.3% |
| • annual covered payroll | <u>1,139,517</u> | <u>1,160,467</u> | <u>1,226,128</u> |
| • ratio of unfunded (excess) to annual covered payroll | 3.1% | 17.8% | 18.3% |

Historical Trend Information Required 3 year historical trend information for the City's pension plan is presented below:

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---|-------------|-------------|-------------|
| 1. Annual pension cost | \$ 98,728 | \$ 114,381 | \$ 115,599 |
| 2. Percent of annual pension cost contribution | 100% | 100% | 100% |
| 3. Net pension obligation | \$ 0 | \$ 0 | \$ 0 |

CITY OF JONESBORO, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

6. Post employment benefits

Pursuant to City statutes, employees who retire with 30 or more years of service, but before they have attained the age to be eligible for Medicare benefits, the City provides health care coverage for up to 36 months. For the year 2012, no retired employees were eligible for this health care benefit.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**CITY OF JONESBORO, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

| | Special Revenue Funds | | | | | Total Nonmajor Governmental Funds |
|---------------------------|-----------------------|-----------------------------|---------------|------------------------------|--------------------|--|
| | Confiscated Funds | DEA Confiscated Funds | LARP Funds | Hotel/ Motel Tax Funds | Technology Fund | |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 45,869 | \$ 78,052 | \$ 78,915 | \$ 54,105 | \$ 19,460 | \$ 276,401 |
| Other receivables | 0 | 0 | 0 | 1,523 | 0 | 1,523 |
| Due from other funds | 0 | 249 | 0 | 0 | 3,939 | 4,188 |
| Total assets | \$ 45,869 | \$ 78,301 | \$ 78,915 | \$ 55,628 | \$ 23,399 | \$ 282,112 |

LIABILITIES AND FUND BALANCE

| | | | | | | |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|------------|
| Current liabilities: | | | | | | |
| Due to other funds | \$ 0 | 0 | \$ 719 | \$ 0 | \$ 0 | \$ 719 |
| Fund balance: | | | | | | |
| Restricted | 45,869 | 78,301 | 78,196 | 55,628 | 23,399 | 281,393 |
| Total liabilities and fund balance | \$ 45,869 | \$ 78,301 | \$ 78,915 | \$ 55,628 | \$ 23,399 | \$ 282,112 |

CITY OF JONESBORO, GEORGIA
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

| | Special Revenue Funds | | | | | | Total Nonmajor Governmental Funds |
|--|-----------------------|-----------------------------|------------------|------------------------------|--------------------|-------------------|--|
| | Confiscated Funds | DEA Confiscated Funds | LARP Funds | Hotel/ Motel Tax Funds | Technology Fund | | |
| REVENUES: | | | | | | | |
| Program receipts | \$ 13,861 | 15,038 | \$ 0 | \$ 0 | \$ 0 | \$ 28,899 | |
| Fines and forfeitures | 0 | 0 | 0 | 0 | 33,284 | 33,284 | |
| Hotel/Motel tax | 0 | 0 | 0 | 22,155 | 0 | 22,155 | |
| Interest on investments | 36 | 110 | 56 | 0 | 18 | 220 | |
| Total revenues | <u>13,897</u> | <u>15,148</u> | <u>56</u> | <u>22,155</u> | <u>33,302</u> | <u>84,558</u> | |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| Administrative | 0 | 0 | 0 | 13,711 | 0 | 13,711 | |
| Police | 253 | 28,139 | 0 | 0 | 20,634 | 49,026 | |
| Total current expenditures | <u>253</u> | <u>28,139</u> | <u>0</u> | <u>13,711</u> | <u>20,634</u> | <u>62,737</u> | |
| Capital outlay: | | | | | | | |
| Police | 23,414 | 84,248 | 0 | 0 | 0 | 107,662 | |
| Total capital outlay | <u>23,414</u> | <u>84,248</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>107,662</u> | |
| Total expenditures | <u>23,667</u> | <u>112,387</u> | <u>0</u> | <u>13,711</u> | <u>20,634</u> | <u>170,399</u> | |
| (Deficiency) Excess of revenues (under) over expenditures | (9,770) | (97,239) | 56 | 8,444 | 12,668 | (85,841) | |
| Fund balance, beginning of year | 55,639 | 175,540 | 78,140 | 47,184 | 10,731 | 367,234 | |
| Fund balance, end of year | <u>\$ 45,869</u> | <u>\$ 78,301</u> | <u>\$ 78,196</u> | <u>\$ 55,628</u> | <u>\$ 23,399</u> | <u>\$ 281,393</u> | |

**CITY OF JONESBORO, GEORGIA
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
SPECIAL REVENUE FUND
CONFISCATED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>BUDGET AMOUNTS</u> | | | VARIANCE WITH FINAL BUDGET |
|--|-----------------------|--------------------|------------------|----------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | |
| REVENUES | | | | |
| Program revenues | \$ 1,000 | \$ 13,861 | \$ 13,861 | \$ 0 |
| Interest on investments | <u>0</u> | <u>36</u> | <u>36</u> | <u>0</u> |
| Total revenues | <u>1,000</u> | <u>13,897</u> | <u>13,897</u> | <u>0</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Police | <u>1,000</u> | <u>297</u> | <u>253</u> | <u>44</u> |
| Total current expenditures | <u>1,000</u> | <u>297</u> | <u>253</u> | <u>44</u> |
| Capital outlay: | | | | |
| Police | <u>0</u> | <u>24,000</u> | <u>23,414</u> | <u>586</u> |
| Total capital outlay | <u>0</u> | <u>24,000</u> | <u>23,414</u> | <u>586</u> |
| Total expenditures | <u>1,000</u> | <u>24,297</u> | <u>23,667</u> | <u>630</u> |
| Deficiency of revenues under expenditures | \$ <u>0</u> | \$ <u>(10,400)</u> | (9,770) | \$ <u>630</u> |
| Fund balance, beginning of year | | | <u>55,639</u> | |
| Fund balance, end of year | | | \$ <u>45,869</u> | |

**CITY OF JONESBORO, GEORGIA
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
SPECIAL REVENUE FUND
DEA CONFISCATED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>BUDGET AMOUNTS</u> | | | VARIANCE WITH FINAL BUDGET |
|--|-----------------------|--------------------|------------------|----------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | |
| REVENUES | | | | |
| Program revenues | \$ 62,800 | \$ 15,000 | \$ 15,038 | \$ 38 |
| Interest on investments | <u>200</u> | <u>100</u> | <u>110</u> | <u>10</u> |
| Total revenues | <u>63,000</u> | <u>15,100</u> | <u>15,148</u> | <u>48</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Police | <u>26,000</u> | <u>28,305</u> | <u>28,139</u> | <u>166</u> |
| Total current expenditures | <u>26,000</u> | <u>28,305</u> | <u>28,139</u> | <u>166</u> |
| Capital outlay: | | | | |
| Police | <u>37,000</u> | <u>84,411</u> | <u>84,248</u> | <u>163</u> |
| Total capital outlay | <u>37,000</u> | <u>84,411</u> | <u>84,248</u> | <u>163</u> |
| Total expenditures | <u>63,000</u> | <u>112,716</u> | <u>112,387</u> | <u>329</u> |
| Deficiency of revenues under expenditures | \$ <u>0</u> | \$ <u>(97,616)</u> | (97,239) | \$ <u>377</u> |
| Fund balance, beginning of year | | | <u>175,540</u> | |
| Fund balance, end of year | | | <u>\$ 78,301</u> | |

**CITY OF JONESBORO, GEORGIA
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
SPECIAL REVENUE FUND
LARP FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>BUDGET AMOUNTS</u> | | | VARIANCE WITH FINAL BUDGET |
|--------------------------------------|-----------------------|--------------|------------------|----------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | |
| REVENUES | | | | |
| Interest on investments | \$ <u>170</u> | \$ <u>55</u> | \$ <u>56</u> | \$ <u>1</u> |
| Total revenues | <u>170</u> | <u>55</u> | <u>56</u> | <u>1</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Street | <u>170</u> | <u>55</u> | <u>0</u> | <u>55</u> |
| Total current expenditures | <u>170</u> | <u>55</u> | <u>0</u> | <u>55</u> |
| Excess of revenues over expenditures | \$ <u>0</u> | \$ <u>0</u> | 56 | \$ <u>56</u> |
| Fund balance, beginning of year | | | <u>78,140</u> | |
| Fund balance, end of year | | | \$ <u>78,196</u> | |

**CITY OF JONESBORO, GEORGIA
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
SPECIAL REVENUE FUND
HOTEL/MOTEL TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>BUDGET AMOUNTS</u> | | | <u>VARIANCE WITH FINAL BUDGET</u> |
|--------------------------------------|-----------------------|------------------|------------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | |
| REVENUES | | | | |
| Taxes | | | | |
| Hotel/Motel tax | \$ <u>18,000</u> | \$ <u>22,000</u> | \$ <u>22,155</u> | \$ <u>155</u> |
| Total revenues | <u>18,000</u> | <u>22,000</u> | <u>22,155</u> | <u>155</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General and administrative | <u>18,000</u> | <u>22,000</u> | <u>13,711</u> | <u>8,289</u> |
| Total current expenditures | <u>18,000</u> | <u>22,000</u> | <u>13,711</u> | <u>8,289</u> |
| Excess of revenues over expenditures | \$ <u>0</u> | \$ <u>0</u> | 8,444 | \$ <u>8,444</u> |
| Fund balance, beginning of year | | | <u>47,184</u> | |
| Fund balance, end of year | | | <u>\$ 55,628</u> | |

**CITY OF JONESBORO, GEORGIA
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
SPECIAL REVENUE FUND
TECHNOLOGY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>BUDGET AMOUNTS</u> | | | VARIANCE WITH FINAL BUDGET |
|--------------------------------------|-----------------------|---------------|------------------|----------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | |
| REVENUES | | | | |
| Fines and forfeitures | \$ 18,000 | \$ 35,000 | \$ 33,284 | \$ (1,716) |
| Interest on investments | <u>0</u> | <u>17</u> | <u>18</u> | <u>1</u> |
| Total revenues | <u>18,000</u> | <u>35,017</u> | <u>33,302</u> | <u>(1,715)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Police | <u>18,000</u> | <u>35,017</u> | <u>20,634</u> | <u>14,383</u> |
| Total current expenditures | <u>18,000</u> | <u>35,017</u> | <u>20,634</u> | <u>14,383</u> |
| Excess of revenues over expenditures | \$ <u>0</u> | \$ <u>0</u> | 12,668 | \$ <u>12,668</u> |
| Fund balance, beginning of year | | | <u>10,731</u> | |
| Fund balance, end of year | | | \$ <u>23,399</u> | |

**CITY OF JONESBORO, GEORGIA
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
DOWNTOWN STREETScape
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>BUDGET AMOUNTS</u> | | | VARIANCE WITH FINAL BUDGET |
|---|-----------------------|-------------------|-------------------|----------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | |
| REVENUES | | | | |
| Intergovernmental | \$ 700,000 | \$ 264,323 | \$ 0 | \$ (264,323) |
| Interest on investments | 300 | 696 | 696 | 0 |
| Other | <u>0</u> | <u>0</u> | <u>8,680</u> | <u>8,680</u> |
| Total revenues | <u>700,300</u> | <u>265,019</u> | <u>9,376</u> | <u>(255,643)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Street | <u>25,000</u> | <u>250,248</u> | <u>0</u> | <u>250,248</u> |
| Total current expenditures | <u>25,000</u> | <u>250,248</u> | <u>0</u> | <u>250,248</u> |
| Capital outlay: | | | | |
| Street | <u>730,000</u> | <u>240,000</u> | <u>532,571</u> | <u>(292,571)</u> |
| Total capital outlay | <u>730,000</u> | <u>240,000</u> | <u>532,571</u> | <u>(292,571)</u> |
| Total expenditures | <u>755,000</u> | <u>490,248</u> | <u>532,571</u> | <u>(42,323)</u> |
| Deficiency of revenues under expenditures | <u>(54,700)</u> | <u>(225,229)</u> | <u>(523,195)</u> | <u>(297,966)</u> |
| Other financing sources: | | | | |
| Transfers in | <u>54,700</u> | <u>216,549</u> | <u>0</u> | <u>(216,549)</u> |
| Total other financing sources | <u>54,700</u> | <u>216,549</u> | <u>0</u> | <u>(216,549)</u> |
| Net change in fund balances | \$ <u>0</u> | \$ <u>(8,680)</u> | (523,195) | \$ <u>(514,515)</u> |
| Fund balance, beginning of year | | | <u>812,385</u> | |
| Fund balance, end of year | | | <u>\$ 289,190</u> | |

**CITY OF JONESBORO, GEORGIA
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
SPLOST
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>BUDGET AMOUNTS</u> | | | VARIANCE WITH FINAL BUDGET |
|--------------------------------------|-----------------------|----------------|---------------------|----------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | |
| REVENUES | | | | |
| Intergovernmental | \$ 500,000 | \$ 575,000 | \$ 969,433 | \$ 394,433 |
| Interest on investments | <u>300</u> | <u>300</u> | <u>1,882</u> | <u>1,582</u> |
| Total revenues | <u>500,300</u> | <u>575,300</u> | <u>971,315</u> | <u>396,015</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Street | <u>50,300</u> | <u>50,300</u> | <u>0</u> | <u>50,300</u> |
| Total current expenditures | <u>50,300</u> | <u>50,300</u> | <u>0</u> | <u>50,300</u> |
| Capital outlay: | | | | |
| Street | <u>405,000</u> | <u>525,000</u> | <u>95,805</u> | <u>429,195</u> |
| Total capital outlay | <u>405,000</u> | <u>525,000</u> | <u>95,805</u> | <u>429,195</u> |
| Total expenditures | <u>455,300</u> | <u>575,300</u> | <u>95,805</u> | <u>479,495</u> |
| Excess of revenues over expenditures | <u>45,000</u> | <u>0</u> | <u>875,510</u> | <u>875,510</u> |
| Other financing uses: | | | | |
| Transfers in | <u>(45,000)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total other financing uses | <u>(45,000)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net change in fund balances | \$ <u>0</u> | \$ <u>0</u> | 875,510 | \$ <u>875,510</u> |
| Fund balance, beginning of year | | | <u>2,345,423</u> | |
| Fund balance, end of year | | | \$ <u>3,220,933</u> | |

**CAPITAL ASSETS
USED IN OPERATION
OF GOVERNMENTAL FUNDS**

CITY OF JONESBORO, GEORGIA
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---------------|---------------|
| General capital assets: | | |
| Land | \$ 793,644 | \$ 793,644 |
| Buildings | 2,977,773 | 2,977,773 |
| Improvements | 329,161 | 314,673 |
| Vehicles | 722,490 | 759,610 |
| Machinery and equipment | 1,560,910 | 1,500,272 |
| Infrastructure | 6,569,891 | 6,184,851 |
| Construction in progress | 315,705 | 86,857 |
| Total general capital assets | \$ 13,269,574 | \$ 12,617,680 |
| Investment in general capital assets: | | |
| General fund revenues | \$ 11,509,968 | \$ 10,858,074 |
| Installment obligations | 1,270,000 | 1,270,000 |
| Capital leases | 489,606 | 489,606 |
| Total investments in general capital assets | \$ 13,269,574 | \$ 12,617,680 |

CITY OF JONESBORO, GEORGIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
BY FUNCTION AND ACTIVITY
DECEMBER 31, 2012

| <u>Function and Activity</u> | <u>Total</u> | <u>Land</u> | <u>Buildings</u> | <u>Improvements</u> | <u>Vehicles</u> | <u>Machinery and Equipment</u> | <u>Infrastructure</u> | <u>Construction in Progress</u> |
|---------------------------------|----------------------|-------------------|---------------------|---------------------|-------------------|--------------------------------|-----------------------|---------------------------------|
| General government | | | | | | | | |
| Administrative | \$ 1,168,453 | \$ 328,621 | \$ 463,242 | \$ 7,900 | \$ 21,506 | \$ 347,184 | \$ 0 | \$ 0 |
| Cultural and recreation | 335,646 | 0 | 52,257 | 283,389 | 0 | 0 | 0 | 0 |
| Fire | 2,114,805 | 246,600 | 1,675,751 | 0 | 0 | 192,454 | 0 | 0 |
| Police | 1,887,078 | 47,500 | 626,696 | 15,644 | 631,681 | 565,557 | 0 | 0 |
| Street | 7,763,592 | 170,923 | 159,827 | 22,228 | 69,303 | 455,715 | 6,569,891 | 315,705 |
| Total general government | \$ 13,269,574 | \$ 793,644 | \$ 2,977,773 | \$ 329,161 | \$ 722,490 | \$ 1,560,910 | \$ 6,569,891 | \$ 315,705 |

CITY OF JONESBORO, GEORGIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2012

| <u>Function and activity</u> | Governmental Funds Capital Assets <u>January 1, 2012</u> | <u>Additions</u> | <u>Deductions</u> | Governmental Funds Capital Assets <u>December 31, 2012</u> |
|------------------------------|--|-------------------|-------------------|--|
| General government | | | | |
| Administrative | \$ 1,168,453 | \$ 0 | \$ 0 | \$ 1,168,453 |
| Cultural and recreation | 335,646 | 0 | 0 | 335,646 |
| Fire | 2,114,805 | 0 | 0 | 2,114,805 |
| Police | 1,879,298 | 119,250 | 111,470 | 1,887,078 |
| Street | <u>7,119,478</u> | <u>644,114</u> | <u>0</u> | <u>7,763,592</u> |
| Total general government | <u>\$ 12,617,680</u> | <u>\$ 763,364</u> | <u>\$ 111,470</u> | <u>\$ 13,269,574</u> |

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

| Project | SPLOST Total Estimated Project Costs | Expenditures | | Total |
|---|--|------------------|------------------|------------------|
| | | Prior Years | Current Year | |
| SPLOST: | | | | |
| Streets, curbs, and sidewalks | \$ 350,000 | \$ 77,813 | \$ 0 | \$ 77,813 |
| Parks and recreation | <u>50,000</u> | <u>21,972</u> | <u>0</u> | <u>21,972</u> |
| | <u>\$ 400,000</u> | <u>\$ 99,785</u> | <u>\$ 0</u> | <u>\$ 99,785</u> |
| SPLOST 2012: | | | | |
| Streets, curbs, and sidewalks | \$ 3,170,000 | \$ 0 | \$ 95,805 | \$ 95,805 |
| Cemetery remapping, paving, and lighting | 450,000 | 0 | 0 | 0 |
| Gateway projects | 500,000 | 0 | 0 | 0 |
| Streetscape projects | 2,150,000 | 0 | 0 | 0 |
| Parks and recreation facilities | <u>1,850,000</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| | <u>\$ 8,120,000</u> | <u>\$ 0</u> | <u>\$ 95,805</u> | <u>\$ 95,805</u> |



**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 City Council
City of Jonesboro, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jonesboro, Georgia as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Jonesboro, Georgia's basic financial statements and have issued our report thereon dated May 21, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink, appearing to read "T. A. K. K. K.", is positioned above the typed text.

Morrow, Georgia
May 21, 2013

