

DEMAREST, GEORGIA
2007

CITY OF DEMOREST
DEMOREST, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2007

CITY OF DEMOREST
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2007

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INDEPENDENT AUDITOR'S REPORT

June 19, 2008

To The Mayor and City Council
City of Demorest
Demorest, Georgia

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Demorest, Georgia, as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Demorest's Management. Our responsibility is to express opinions on these financial statements based on the 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Demorest, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2008 on our consideration of the City of Demorest's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The budgetary comparison schedule identified as Exhibit 10 in the Financial Section of the accompanying table of contents is not part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of Management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Grants-Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual supplementary information has been subjected to the auditing

procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Amos + Company
Amos & Company, CPAs

CITY OF DEMOREST
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

EXHIBIT 1

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
ASSETS				
Cash	\$ 17,511	\$ 474,842	\$ 492,353	\$ 13,420
Taxes Receivable	287,587		287,587	
Accounts Receivable	47,717	362,829	410,546	
Prepaid Expenses		47,352	47,352	
Restricted Assets:				
Cash		488,809	488,809	
Capital Assets				
Land	15,547	20,000	35,547	10,000
Depreciable Assets, Net	225,083	9,508,223	9,733,306	185,625
Total Capital Assets	<u>240,630</u>	<u>9,528,223</u>	<u>9,768,853</u>	<u>195,625</u>
TOTAL ASSETS	<u>593,445</u>	<u>10,902,055</u>	<u>11,495,500</u>	<u>209,045</u>
LIABILITIES				
Accounts Payable	25,059	560,728	585,787	
Bank Overdraft	21,129		21,129	
Accrued Payroll	8,831	11,293	20,124	
Accrued Interest		42,866	42,866	493
Water Deposits		85,395	85,395	
Notes Due in One Year		6,362	6,362	46,903
Bonds Due in One Year		171,018	171,018	
Noncurrent Liabilities:				
Notes Payable		139,023	139,023	35,188
Bonds Payable		5,466,831	5,466,831	
TOTAL LIABILITIES	<u>55,019</u>	<u>6,483,516</u>	<u>6,538,535</u>	<u>82,584</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	240,630	3,744,989	3,985,619	113,534
Restricted for :				
Debt Service		488,809	488,809	
Unrestricted Assets	297,796	184,741	482,537	12,927
TOTAL NET ASSETS	<u>\$ 538,426</u>	<u>\$ 4,418,539</u>	<u>\$ 4,956,965</u>	<u>\$ 126,461</u>

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities	\$ 211,553	\$ 4,375	\$ -	\$ -	\$ (207,178)	\$ (207,178)	\$ -
General Government	483,269	235,237			(248,032)	(248,032)	
Police	99,100	30,664			(68,436)	(68,436)	
Fire	190,088	86,927		30,000	(73,161)	(73,161)	
Streets and Sanitation	984,010	357,203		30,000	(596,807)	(596,807)	
Total Governmental Activities							
Business-type Activities	2,660,077	2,974,409		54,995	369,327	369,327	
Water and Sewer	2,660,077	2,974,409			369,327	369,327	
Total Business-type Activities	\$ 3,644,087	\$ 3,331,612	\$ -	\$ 30,000	(596,807)	(227,480)	
Total Primary Government							
Component Units							
Governmental Finance Corporation	\$ 22,159	\$ 10,904					(11,255)
Downtown Development Authority	58,485	24,677					(33,808)
Total Component Units	\$ 80,644	\$ 35,581					(45,063)
General Revenues:							
Taxes:							
Property					298,052	298,052	
Franchise Fees					67,792	67,792	
Public Service Fees					100,338	100,338	
Unrestricted Earnings On Investments					21,945	21,945	4,109
Gain on Sale of Assets					1,670	1,670	
Miscellaneous					(31,496)	91,874	
Transfers					(7,881)	-	
Total general revenues and transfers					586,762	586,762	4,109
Change in Assets					361,446	359,282	(40,954)
Net Assets - Beginning					4,057,093	4,597,683	167,415
Net Assets - End	\$ 538,426	\$ 4,418,539	\$ 4,956,965	\$ 4,956,965	\$ 12,646	\$ 12,646	

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

EXHIBIT 3

	NONMAJOR GOVERNMENTAL FUNDS		
	GRANT		
	SPECIAL REVENUE		
	GENERAL	FUND	TOTAL
ASSETS			
Cash	\$ 17,012	\$ 499	\$ 17,511
Taxes Receivable	321,073		321,073
Accounts Receivable	71,722		71,722
TOTAL ASSETS	\$ 409,807	499	\$ 410,306
 LIABILITIES			
Accounts Payable	\$ 25,059		\$ 25,059
Bank Overdraft	21,129		21,129
Accrued Payroll	8,831		8,831
Deferred Revenue - Taxes	138,169		138,169
TOTAL LIABILITIES	193,188	0	193,188
 FUND BALANCE			
Unreserved	216,620	499	217,119
TOTAL FUND BALANCE	216,620	499	217,119
 TOTAL LIABILITIES AND FUND BALANCE	\$ 409,808	499	\$ 410,307

Adjustments to the Statement of Net Assets

Fund Balance Governmental Fund	\$ 217,119
Capital Assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	240,630
Other long-term assets are not available to pay current-period expenditures and therefore are offset by deferred revenue in the governmental funds (Net of allowance for bad debts)	80,677
 Net Assets of Governmental Activities (Exhibit 1)	 \$ 538,426

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007

EXHIBIT 4

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS GRANT SPECIAL REVENUE FUND	TOTAL
REVENUES			
Taxes	\$ 285,227	\$	\$ 285,227
Franchise and Other	168,130		168,130
License and Permits	25,809		25,809
Intergovernmental		30,000	30,000
Charges for Services	302,670		302,670
Fines & Forfeitures	54,696		54,696
Miscellaneous	70,440		70,440
Total Revenue	<u>906,972</u>	<u>30,000</u>	<u>936,972</u>
EXPENDITURES			
Current:			
General Government	207,211		207,211
Police Department	466,098		466,098
Fire Department	89,279		89,279
Streets and Sanitation	208,049	29,501	237,550
Total Expenditures	<u>970,637</u>	<u>29,501</u>	<u>1,000,138</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(63,665)</u>	<u>499</u>	<u>(63,166)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	31,496		31,496
Sale of Capital Assets	5,091		5,091
Total Other Financing Sources (Uses)	<u>36,587</u>	<u>-</u>	<u>36,587</u>
NET CHANGE IN FUND BALANCE	(27,078)	499	(26,579)
FUND BALANCE - BEGINNING OF YEAR	<u>243,698</u>		<u>243,698</u>
FUND BALANCE - END OF YEAR	<u>\$ 216,620</u>	<u>\$ 499</u>	<u>\$ 217,119</u>
Adjustments to the Statement of Activities			
Excess of Revenues and Other Sources over Expenditures and other uses			\$ (26,579)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation over the life of the assets. This is the amount by which Capital outlays (\$52,240) exceeded depreciation (\$36,112).			16,128
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds, this includes adjustment to allowance for bad debt (\$10,712) less deferred revenue (\$18,999)			<u>8,287</u>
Changes in net assets of governmental activities Exhibit 2:			<u>\$ (2,164)</u>

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2007

EXHIBIT 5

	Business-type Activities <u>Enterprise Fund</u> <u>WATER & SEWER</u> <u>FUND</u>
ASSETS	
Current Assets:	
Cash	\$ 474,842
Accounts Receivable	362,829
Prepaid Bond Payments	16,250
Total Current Assets	<u>853,921</u>
Noncurrent Assets:	
Restricted Cash	488,809
Loan Cost	31,102
Capital Assets:	
Land	20,000
Other Capital Assets, Net	9,508,223
Total Noncurrent Assets	<u>10,048,134</u>
TOTAL ASSETS	\$ <u>10,902,055</u>
 LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 560,728
Accrued Payroll	11,293
Accrued Interest	42,866
Notes Payable	6,362
Bonds Payable	171,018
Total Current Liabilities	<u>792,267</u>
Noncurrent Liabilities:	
Water Deposits	85,395
Notes Payable	139,023
Bonds Payable	5,466,831
Total Noncurrent Liabilities	<u>5,691,249</u>
TOTAL LIABILITIES	<u>6,483,516</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	3,744,989
Restricted for :	
Debt Service	488,809
Unrestricted Assets	184,741
TOTAL NET ASSETS	\$ <u>4,418,539</u>

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

EXHIBIT 6

	Business-type Activities
	<u>Enterprise Fund</u>
	WATER AND
	<u>SEWER FUND</u>
OPERATING REVENUES	
Water Sales	\$ 2,609,124
Sewer Fees	137,876
Water and Sewer Taps	55,900
Rental Income	14,200
Miscellaneous Receipts	157,309
TOTAL OPERATING REVENUES	<u>2,974,409</u>
OPERATING EXPENSES - By Department	
Personnel	522,809
Utilities	98,424
Water Purchases	758,698
Purification & System Maintenance	245,628
Equipment Rental & Maintenance	43,165
Insurance	129,967
Office Expense	57,708
Professional Fees	59,594
Depreciation	324,911
Other	129,751
TOTAL OPERATING EXPENSES	<u>2,370,655</u>
OPERATING INCOME	<u>603,754</u>
NON-OPERATING REVENUES (EXPENSE)	
Intergovernmental	54,995
Interest Income	21,945
Interest Expense	(289,422)
Gain on Sale of Capital Assets	1,670
TOTAL NON-OPERATING INCOME (EXPENSE)	<u>(210,812)</u>
INCOME (LOSS) BEFORE TRANSFERS	392,942
TRANSFERS	
Transfers in	121,140
Transfers out	<u>(152,636)</u>
CHANGE IN NET ASSETS	361,446
TOTAL NET ASSETS - BEGINNING OF YEAR	4,057,093
TOTAL NET ASSETS - END OF YEAR	<u>\$ 4,418,539</u>

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

EXHIBIT 7

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 2,869,790	
Payments to Suppliers	(1,280,532)	
Payments to Employees	<u>(520,146)</u>	
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ 1,069,112
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Net Transfers	(31,496)	
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		(31,496)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Notes	(116,564)	
Note Proceeds	107,730	
Net Change in Prepaid Loan Costs and Expense	(26,690)	
Interest Paid	(298,948)	
Intergovernmental Revenue	54,995	
Proceeds From Sale of Capital Assets	2,636	
Acquisition Of Capital Assets-Net Of Trade Allowance	<u>(531,863)</u>	
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES		(808,704)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Earned	21,945	
NET CASH PROVIDED BY INVESTING ACTIVITIES		<u>21,945</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		250,857
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>712,794</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$ 963,651</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)		\$ 603,754
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
Depreciation	\$ 324,911	
Decrease in Customer Deposits	(15,679)	
Increase in Accounts Receivable	(88,940)	
Increase in Accounts Payable	242,403	
Increase in Accrued Payroll	2,663	
TOTAL ADJUSTMENTS		<u>465,358</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>\$ 1,069,112</u>

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST
 COMBINING STATEMENT OF NET ASSETS
 COMPONENT UNITS
 DECEMBER 31, 2007

EXHIBIT 8

	Governmental Finance Authority	Downtown Development Authority	Total
ASSETS			
Current Assets			
Cash	\$	\$ 13,420	\$ 13,420
Noncurrent Assets			
Capital Assets:			
Land	10,000		10,000
Depreciable Assets, Net	106,730	78,895	185,625
Total Capital Assets	116,730	78,895	195,625
TOTAL ASSETS	116,730	92,315	209,045
LIABILITIES			
Current Liabilities			
Accrued Expenses		493	493
Current Portion Long-Term Debt		46,903	46,903
Noncurrent Liabilities			
Notes Payable		35,188	35,188
TOTAL LIABILITIES	-	82,584	82,584
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	116,730	(3,196)	113,534
Unrestricted Assets		12,927	12,927
TOTAL NET ASSETS	\$ 116,730	\$ 9,731	\$ 126,461

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2007

EXHIBIT 9

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Governmental Finance Corporation	Downtown Development Authority	Totals
Governmental Finance Corporation	\$ 22,159	\$ 10,904	\$ (11,255)	\$	\$ (11,255)
Downtown Development Authority	<u>58,485</u>	<u>24,677</u>	<u></u>	<u>(33,808)</u>	<u>(33,808)</u>
Total Component Units	<u>\$ 80,644</u>	<u>\$ 35,581</u>	<u>(11,255)</u>	<u>(33,808)</u>	<u>(45,063)</u>
Sale of Assets			<u>4,109</u>		<u>4,109</u>
Change in Assets			<u>(7,146)</u>	<u>(33,808)</u>	<u>(40,954)</u>
Net Assets - Beginning			<u>123,876</u>	<u>43,539</u>	<u>167,415</u>
Net Assets - End			<u>\$ 116,730</u>	<u>\$ 9,731</u>	<u>\$ 126,461</u>

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

The City of Demorest was incorporated under the laws of the state of Georgia in 1891 and operates under an elected mayor and four council members. The City's basic financial statements include the accounts of all the City operations.

The financial statements of the City of Demorest have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for proprietary funds.

The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria for including organizations as component units within the City's reporting entity, as set forth in section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Demorest has two component units. Separate financial statements are not prepared on the component units.

Component Units

a. Demorest Governmental Finance Corporation

Was organized as a non-profit corporation to acquire properties and lease them to the City under terms of an operating lease. This was done to obtain additional financing for Capital projects. The Mayor and Council are the Board of Directors.

b. Downtown Development Authority

The authority was organized to acquire properties and to improve them for use in the downtown district. The City Council appoints Authority members.

All component units above are presented using accounting principles in accordance with GASB 34.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). The focus is on both the City as a whole