CITY OF CAIRO, GEORGIA

Annual Financial Report

For the Year Ended June 30, 2012

CITY OF CAIRO, GEORGIA
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CITY OF CAIRO, GEORGIA
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2012

ELECTED

Mayor
Richard VanLandingham

City Council
Lannis Thornton

Ernest W. Cloud, Jr.

James H. Douglas

Robert L. Gwaltney

Kermit Gilliard

APPOINTED

City Manager
Chris Addleton

Finance Director
Miriam Faircloth, CPA

City Clerk
Carolyn Lee

Human Resources Director
Carolyn Meades

City Attorney
Thomas L. Lehman

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
202 Love Avenue
Tifton, GA 31794
P.O. Box 7650
Tifton, GA 31793

(229) 382-8576
(229) 238-0643 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cairo, Georgia, as of and for the year ended June 30, 2012, which collectively comprise the City of Cairo, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Cairo, Georgia's elected officials and management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, based on our audit, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cairo, Georgia, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012, on our consideration of the City of Cairo, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 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 Cairo, Georgia's financial statements as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Cairo, Georgia. The accompanying Schedule of Special Purpose Local Option Sales Tax Expenditures is presented as required by the Official Code of Georgia Annotated. The Schedule of Special Purpose Local Option Sales Tax Expenditures is not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and the Schedule of Special Purpose Local Option Sales Tax Expenditures 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements taken as a whole.

Carr, Riggs & Ingram, L.L.C.

December 21, 2012
Tifton, Georgia

Management's Discussion and Analysis

As management of the City of Cairo, Georgia, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The City has $57.4 million in total assets of which $36.6 million are capital assets.
- The City has $23.7 million in total liabilities of which $17.4 million are long-term.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $33.6 million (net assets). Of this amount, $5.8 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors while $22.3 million is invested in capital assets net of related debt.
- The City's total net assets increased by $1.69 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $6.6 million, a decrease of $1.36 million in comparison with the prior year. This amount consists of $2.68 million reserved for specific projects and public services and an unreserved balance of $3.99 million.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $3.99 million, or 56.5% of total general fund expenditures.
- The City's long-term debt increased by $960 thousand during the current fiscal year as a result of scheduled principle payments and new acquisitions.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (which serves as an introduction to the City's basic financial statements), the *basic financial statements*, and *supplementary information* that presents combining statements for nonmajor governmental funds and nonmajor enterprise funds as well as other selected information. The City's basic financial statements consist of three components: 1) Government-Wide financial statements, 2) Fund financial statements and 3) Notes to financial statements.

Government-Wide Financial Statements

The primary role of the Government-Wide financial statements is to demonstrate operational accountability. Operational accountability requires that a government demonstrate the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to do so.

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Cairo's finances, in a manner similar to a private-sector business. It provides both long-term and short-term information about the City's overall financial status. The *statement of net assets* and the *statement of activities* report information about the City as a whole and about its activities in a way that helps answer the question - is the City's financial health improving or deteriorating?

The *statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. The statement is a tool to measure the City's financial health or financial position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The reader would need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the 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 *(business-type activities*). The governmental activities of the City include general

government, public safety, public works, parks and recreation, community development, and interest on long-term debt. The business-type activities of the City include water and sewer, electric, gas, cable TV, solid waste, landfill, airport operations, and telecommunications.

The government-wide financial statements include not only the City of Cairo itself (known as the *primary government*), but also a legally separate City of Cairo Development Authority, for which the City has some degree of financial accountability. Financial information for the *component unit* is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

The primary role of the Fund financial statements is to demonstrate fiscal accountability. Fiscal accountability requires that a government demonstrate compliance with public decisions concerning the raising and spending of public monies in the short term (usually one budgetary cycle or one year).

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 maintains seven (7) 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 for the SPLOST 2008 fund as they are considered to be major funds. Data from the other five (5) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary Funds
The City maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Fund, Electric Revenue Fund, Cable TV Fund, Solid Waste Fund, Airport Fund, Telecommunications Fund, Landfill Fund and Gas Revenue Fund.

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 Water and Sewer Fund, Electric Revenue Fund, and the Cable TV Fund, all of which are considered to be major funds of the City. Conversely, the non-major enterprise funds are combined into single aggregated presentations in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds is provided in the form of *combining statements* elsewhere in this report.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Table 1 below summarizes the major features of the basic financial statements.

Table 1
Major Features of the Basic Financial Statements

		Fund Financial Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City government (except fiduciary funds) and the City's component units	Activities of the City that are not proprietary or fiduciary	Activities of the City that are operated similar to private business
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets Statement of Revenues, Expenditures, and Changes in Net Assets Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $33.68 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (66.4%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. 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.

Table 2 below presents the City's condensed statement of net assets as of June 30, 2012 and 2011.

Table 2
Condensed Statement of Net Assets

	Governmental Activities		Business – type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	$ 7,278,838	$ 8,405,040	$ 13,499,807	$ 13,804,767	$ 20,788,645	$ 22,209,807
Capital assets	7,214,550	4,621,011	29,419,044	29,721,201	36,633,594	34,342,212
Total assets	14,493,388	13,026,051	42,918,851	43,525,968	57,412,239	56,552,019
Liabilities						
Other liabilities	406,841	216,845	5,875,423	6,338,056	6,282,266	6,554,901
Long-term liabilities	944,589	529,320	16,505,036	15,959,858	17,449,625	16,489,178
Total liabilities	1,351,430	746,165	22,380,459	22,297,914	23,731,891	23,044,079
Net assets						
Invested in capital assets, net of related debt	6,649,816	4,217,419	15,735,886	14,496,327	22,385,702	18,713,746
Restricted	2,671,366	3,924,327	--	978,768	2,671,366	4,903,095
Unrestricted	3,820,776	4,138,140	4,802,506	5,752,959	8,623,282	9,891,099
Total net assets	$ 13,141,958	$ 12,279,886	$ 20,538,392	$ 21,228,054	$ 33,680,350	$ 33,507,940

Net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets exceed liabilities by $33.68 million for 2012 as compared to $33.5 million for 2011 for an increase of .5%. Of this amount $20.5 million came from business-type activities and $13.1 million came from governmental activities.

An additional portion of the City's net assets (7.%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($8.6 million) may be used to meet the City's ongoing obligations to citizens and creditors. This is a decrease of $1.27 million or 12% from 2011.

For governmental activities, the City reported a balance of $3.8 million in unrestricted net assets. This is a decrease of $317 thousand from 2011. The business-type activities unrestricted net assets were $4.8 million, a decrease of $950 thousand from 2011. During 2012 the City determined that a restatement to reduce beginning net assets of business activities by $1.5 million was necessary to correct errors in the June 30, 2011 report.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

Condensed Statement of Activities

Table 3 below presents the City's condensed statement of activities for the years ended June 30, 2012 and 2011. Over time, increases or decreases in net assets measure whether the City's financial position is improving or deteriorating.

Table 3
Condensed Statement of Activities

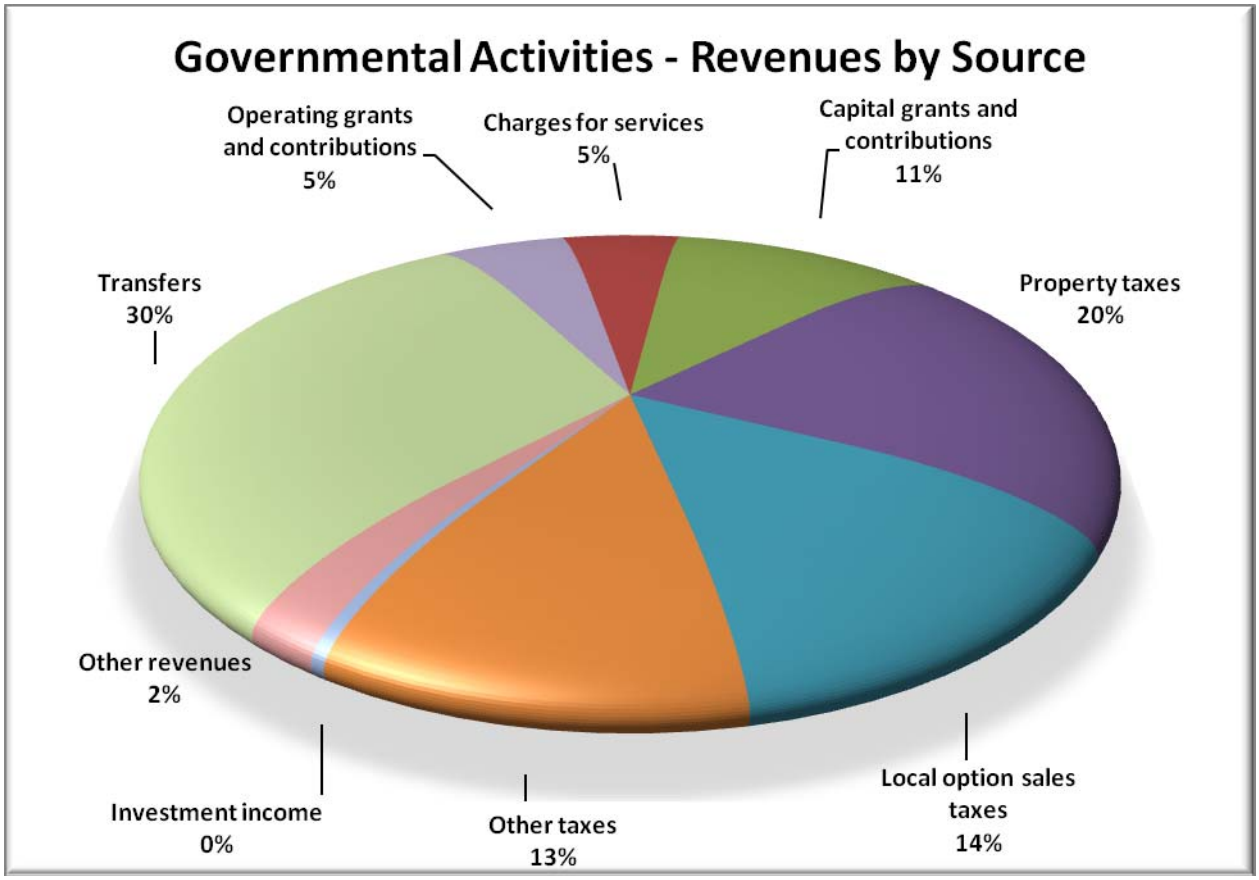
	Governmental Activities		Business – type Activities		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Revenues						
Program revenues:						
Charges for services	$ 344,520	$ 727,395	$ 24,786,316	$ 25,852,547	$ 25,130,836	$ 26,579,942
Operating grants and contributions	360,000	--	- -	- -	360,000	-
Capital grants and contributions	763,344	1,167,822	- -	- -	763,344	1,167,822
General revenues:						
Property taxes	1,410,179	1,438,822	- -	- -	1,410,179	1,438,822
Local option sales taxes	1,026,615	1,005,686	- -	- -	1,026,615	1,005,686
Other taxes	896,223	670,734	- -	- -	896,223	670,734
Investment income	35,013	36,906	29,518	17,443	64,531	54,349
Gain (loss) on disposal of capital assets	0	0	442,973	463,716	442,973	463,716
Other revenues	171,308	35,932	237,082	372,251	408,390	408,183
Total revenues	5,007,202	5,083,297	25,495,889	26,705,957	30,503,091	31,789,254
Expenses						
General government	387,114	1,066,472	- -	- -	387,114	1,066,472
Public safety	3,427,381	3,396,777	- -	- -	3,427,381	3,396,777
Public works	1,351,793	1,295,754	- -	- -	1,351,793	1,295,754
Parks and recreation	425,518	814,560	- -	- -	425,518	814,560
Community development	700,239	553,659	- -	- -	700,239	553,659
Interest - long-term debt	14,489	13,188	- -	- -	14,489	13,188
Water and sewer	- -	- -	3,499,851	3,575,624	3,499,851	3,575,624
Electric revenue	- -	- -	12,533,963	12,171,105	12,533,963	12,171,105
Gas revenue	- -	- -	1,181,042	1,410,920	1,181,042	1,410,920
Cable TV	- -	- -	2,952,348	3,127,267	2,952,348	3,127,267
Garbage and trash	- -	- -	1,061,598	1,039,523	1,061,598	1,039,523
Airport	- -	- -	116,164	140,974	116,164	140,974
Telecommunications	- -	- -	411,511	414,471	411,511	414,471
Landfill	- -	- -	747,285	634,679	747,285	634,679
Total expenses	6,306,534	7,140,410	22,503,762	22,514,563	28,810,296	29,654,973
Increase (decrease) in net assets before transfers	(1,299,332)	(2,057,113)	2,992,127	4,191,394	1,692,795	2,134,281
Transfers	2,161,404	2,500,364	(2,161,404)	(2,500,364)	- -	- -
Change in net assets	$ 862,072	$ 443,251	$ 830,723	$ 1,691,030	$ 1,692,795	$ 2,134,281

Governmental activities during the fiscal year ended June 30, 2012, increased the City's net assets by $862 thousand. Business-type activities during the same period increased net assets by $830 thousand. The net change in net assets was an increase of $1.6 million. The Table above shows the revenue and expenses by activity for the total primary government. This Table shows total 2012 revenues from governmental activities at $5 million while expenses were $6.3 million. Business-type activities total revenues for 2012 were $24.7 million while expenses were $22.5 million. Transfers from business-type activities are the largest governmental activity revenue source at $2.1 million or 30%. The next largest revenue source for governmental activities comes from property taxes of $1.41 million which is 20% of the total governmental activity funding. Revenues from local option sales taxes are the third largest governmental activity revenue source at $1.02 million or 14%. Business-type activities program revenues exceeded expenses by $2.99 million before internal transfers to support the governmental activities.

Program Revenues and Expenses for Governmental Activities

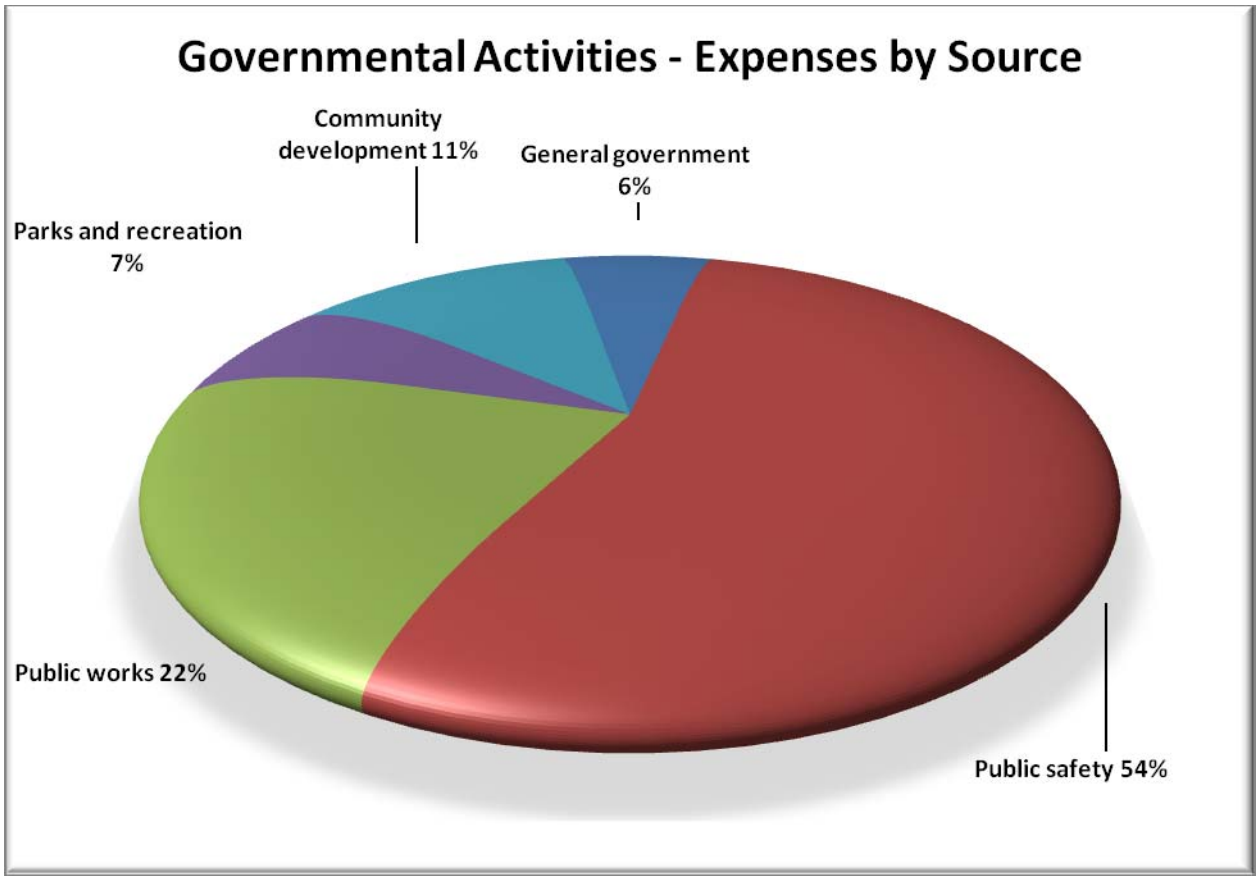
Governmental Activities - Revenues by Source

The following chart shows the governmental activities revenues by major source and includes revenues from transfers. It is easy to see from the chart that governmental activities are funded to a great degree through local option sales taxes (14.3%) of the primary government. For the year ended June 30, 201212, these revenues were $1.02 million.



Governmental Activities – Expenses by Source

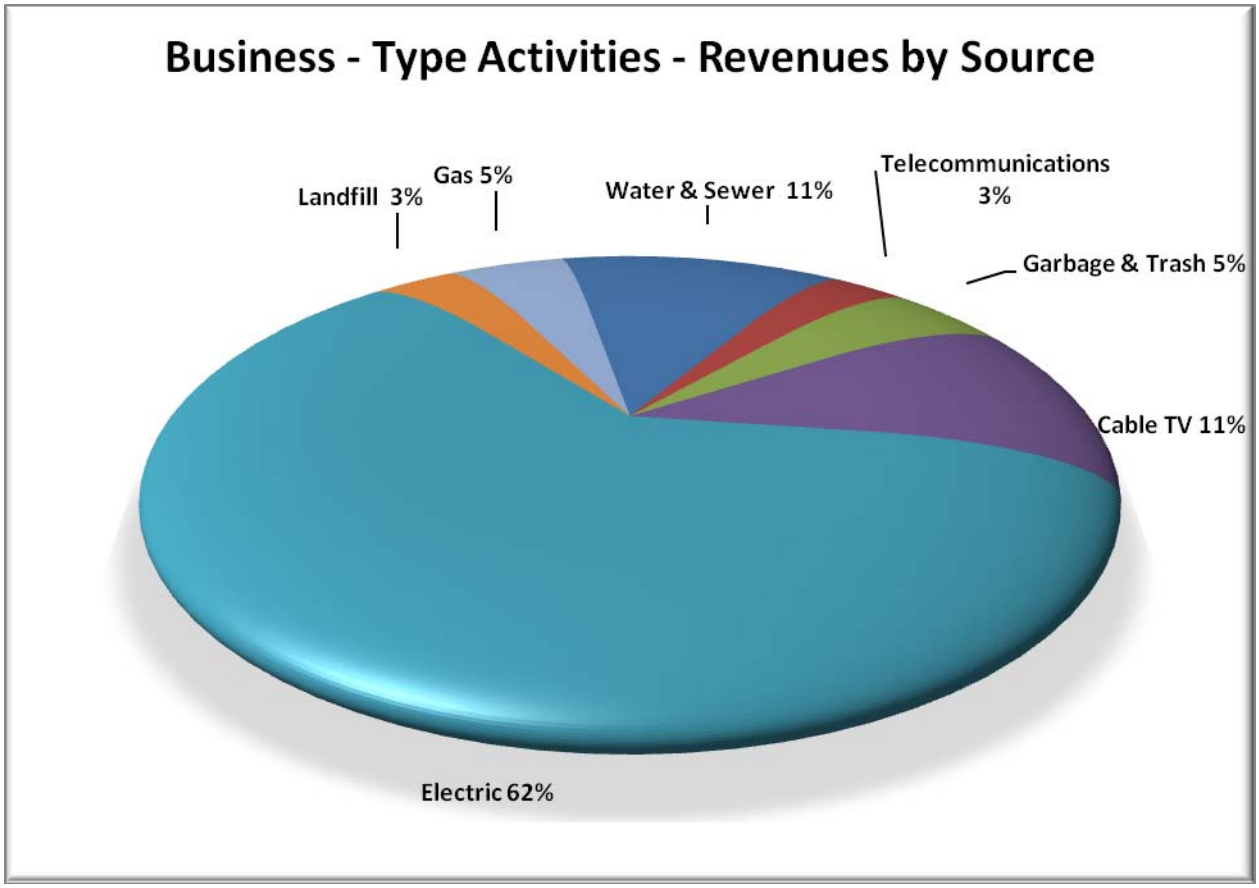
The following chart shows the governmental activities expenses by source. The City of Cairo spent the greatest amount of its available funding on Public safety (54%). The next largest funding was required for Public Works at (22%).



Program Revenues and Expenses for Business-Type Activities

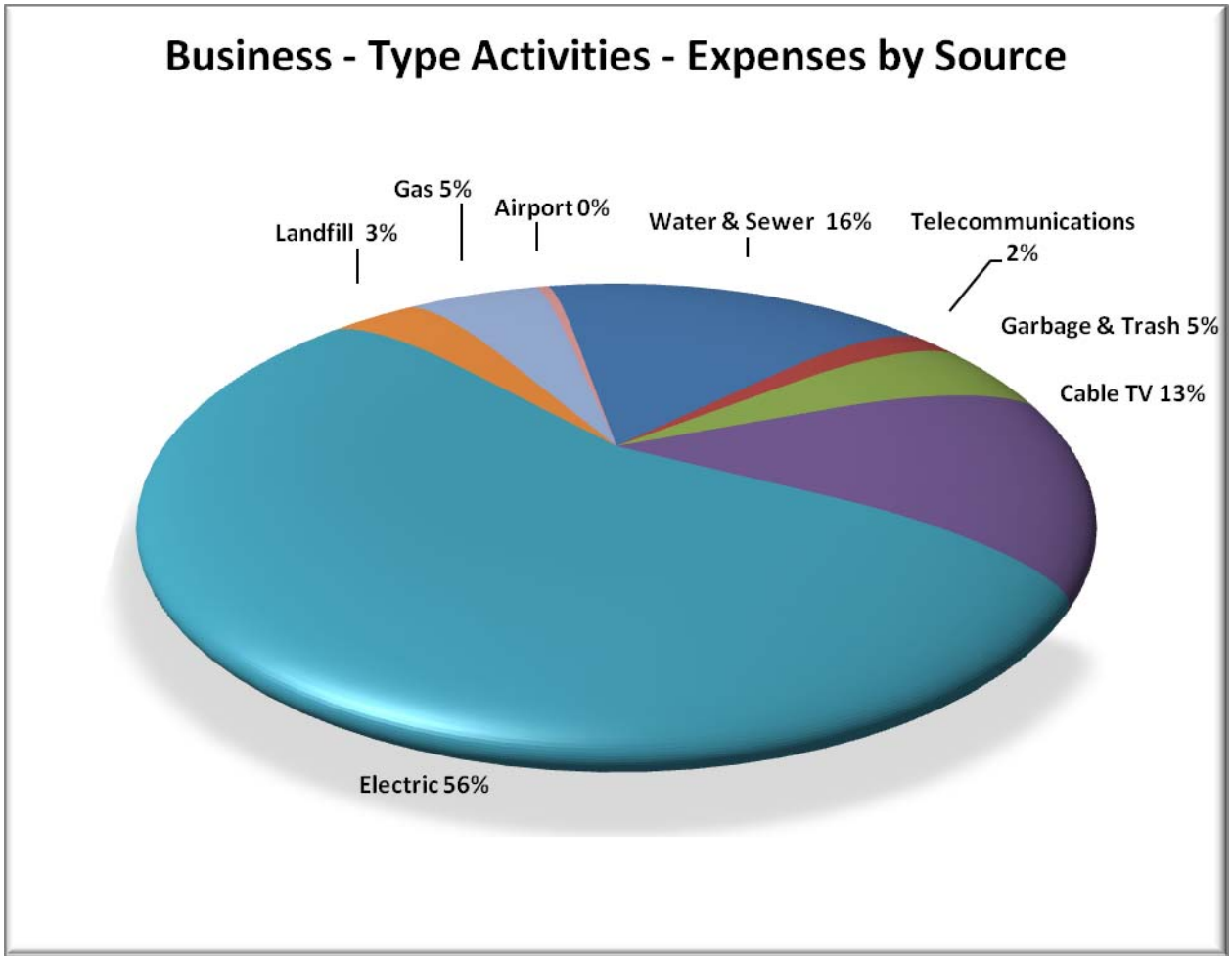
Business-Type Activities – Revenues by Source

The business-type activities largest revenue source is from the Electric Revenue Fund. More revenues (62%) or $15.6 million are generated by the Electric Revenue Fund than all other business-type activities combined at (38%) or $9.38 million.



Business-Type Activities – Expenses by Source

The Electric Revenue fund has the largest amount of expenses as expected at 56% or $12.53 million but generated profits of $2.84 million before its transfers to governmental activities.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The City of Cairo has two major governmental funds in the current year, the General Fund and the SPLOST 2008 Fund.. At June 30, 2012, the General Fund had a fund balance of $4.01 million. This is an increase of $556 from the beginning fund balance. The SPLOST 2008 Fund had a balance of $207,070. This is a decrease of $1,155,446 from the beginning fund balance.

The fund balances for the other governmental funds decreased by $209 thousand. The final fund balance for these funds was $2.67 million at the end of the year.

Enterprise Funds

The Enterprise Funds, which include the City's Water and Sewer Fund, Electric Revenue Fund, Cable TV Fund, and the non major enterprise funds consisting of the Solid Waste, Airport, Telecommunications, Landfill, and Gas Revenue Funds showed a combined cash balance of $4.14 million for the year ended June 30, 2012. This was a decrease of $1.54 million from the previous year.

The Water and Sewer Fund had an ending cash balance of $419 thousand at June 30, 2012. This was a decrease of $912 thousand from the previous year.

The Electric Fund had an ending cash balance of $3.9 thousand. This is a decrease of $17 thousand from the previous year.

The Cable TV Fund showed an ending cash balance of $813 thousand which is a decrease of $267 thousand from the beginning cash balance.

The combined cash balance of the non-major enterprise funds at the end of the year was $2.9 million. This is a decrease of $346 thousand from the beginning cash balance. The cash balance is principally from the operations of the City's Landfill Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Generally, budget amendments fall into one of the following categories: 1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Amendments to the original budget for 2012 related to the transfer of budgeted amounts between departments and additional appropriations were due to elimination of interfund payables.

The actual revenues of the General Fund were less than final budgeted amounts by $85 thousand for the year ended June 30, 2012. The major factor contributing to this difference was a decrease in the collection of fines and charges for services.

The actual expenditures of the General Fund were less than final budgeted amounts by $18.9 thousand for the year ended June 30, 2012. The major factor contributing to this difference was a decrease in actual expenditures in several departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, governmental activities and business-type activities had capital assets of $36.63 million (net of accumulated depreciation) invested in land, buildings, system improvements, machinery and equipment and recreation and park facilities.

The net capital assets from governmental activities increased $2.5 million from the 2012 amount due to current year acquisitions net of depreciation costs. The net capital assets from business-type activities decreased by $302 thousand from the prior year due to current year acquisitions net of depreciation costs.

Additional information on the City's capital assets can be found in Note F of the Notes to Financial Statements.

Long-term Debt

The City's total long-term debt consists of revenue bonds, capital leases, compensated absences and other long-term liabilities.

At June 30, 2012, the City had $944 thousand of outstanding long-term liabilities related to governmental activities and $16.5 million of long-term liabilities related to business-type activities for a total of $17.44 million compared to the previous year's total of $16.48 million. This is an increase of $960 thousand as a result of scheduled principle payments and new acquisitions.

The City's component unit had $1.35 million in long-term debt outstanding in connection with City of Cairo Development Authority Taxable Revenue Bonds used to construct a United States Post Office. Under a lease agreement with the Postal Service, the Postal Service is to make rental payments to be used for the purpose of paying the principle and interest payments on the bonds until April of 2020.

Additional information on the City's long-term debt can be found in Note G of the Notes to Financial Statements.

FACTORS AFFECTING THE 2012 BUDGET

The Mayor and Council of the City of Cairo considered many factors when approving the City's 2012 budget and are very aware of present economic conditions and their effect on its citizens. The Mayor and Council chose to continue to use additional transfers from certain business-type activities to other business-type activities and to fund governmental activities and to use reserves and reductions in fund balances to fund operations and capital expenses in 2012 instead of increasing taxes or rates to provide the necessary funds required for the City's governmental and business-type activities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions about this report or requests for additional information may be addressed to:

City Finance Department
City of Cairo
119 North Broad Street
Cairo, Georgia 31728

Basic Financial Statements

CITY OF CAIRO, GEORGIA
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Cairo Development Authority
ASSETS				
Cash and cash equivalents	$ 650,630	$ 14,974	$ 665,604	$ -
Investments	-	7,651,935	7,651,935	-
Accounts receivable, net	204,633	3,075,629	3,280,262	-
Property tax receivable	-	-	-	-
Inventories	16,656	1,190,441	1,207,097	-
Other current assets	231,630	59,639	291,269	21,422
Due from other governments	-	-	-	-
Due from component unit	25,006	-	25,006	-
Due from primary government	-	-	-	-
Internal balances	3,399,720	(3,399,720)	-	-
Restricted assets:				
Cash and cash equivalents	1,568,184	4,130,296	5,698,480	111,718
Investments	-	-	-	93,199
Sales tax receivable	88,209	-	88,209	-
Program receivables	1,094,170	-	1,094,170	1,741,048
Investment in SGGSA	-	603,118	603,118	-
Other noncurrent assets	-	283,337	283,337	35,907
Capital assets:				
Land	431,365	1,711,782	2,143,147	-
Construction in progress	-	870,298	870,298	-
Other capital assets, net of accumulated depreciation	6,783,185	26,836,964	33,620,149	-
Total assets	14,493,388	43,028,693	57,522,081	2,003,294
LIABILITIES				
Accounts payable	404,811	2,157,149	2,561,960	-
Accrued expenses	30	499,859	499,889	37,826
Customer deposits	-	416,544	416,544	-
Deferred revenues	2,000	1,603,648	1,605,648	943,700
Due to other governments	-	-	-	-
Due to primary government	-	-	-	25,006
Due to component unit	-	-	-	-
Short term notes payable	-	-	-	-
Liabilities payable from restricted assets	-	1,308,065	1,308,065	135,000
Long-term liabilities:				
Due within one year	93,710	108,143	201,853	-
Due in more than one year	850,879	16,396,893	17,247,772	1,215,000
Total liabilities	1,351,430	22,490,301	23,841,731	2,356,532
NET ASSETS				
Invested in capital assets, net of related debt	6,649,816	15,735,886	22,385,702	-
Restricted for:				
Debt service	-	-	-	-
Capital projects	2,623,164	-	2,623,164	-
Public services	36,857	-	36,857	-
Perpetual care - nonexpendable	11,345	-	11,345	-
Unrestricted (deficit)	3,820,776	4,802,506	8,623,282	(353,238)
Total net assets	$ 13,141,958	$ 20,538,392	$ 33,680,350	$ (353,238)

See accompanying notes to financial statements.

CITY OF CAIRO, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
Governmental activities:					
General government	$ 387,114	$ 344,520	$ 10,000	$ 753,344	$ 720,750
Public safety	3,427,381	-	-	-	(3,427,381)
Public works	1,351,793	-	-	-	(1,351,793)
Parks and recreation	425,518	-	-	-	(425,518)
Community development	700,239	-	350,000	10,000	(340,239)
Interest on long-term debt	14,489	-	-	-	(14,489)
Total governmental activities	6,306,534	344,520	360,000	763,344	(4,838,670)
Business-type activities:					
Water and sewer	3,499,851	2,824,777	-	-	(675,074)
Electric revenue	12,533,963	15,382,633	-	-	2,848,670
Gas revenue	1,181,042	1,157,821	-	-	(23,221)
Cable TV	2,952,348	2,780,504	-	-	(171,844)
Garbage and trash	1,061,598	1,107,562	-	-	45,964
Airport	116,164	23,358	-	-	(92,806)
Telecommunications	411,511	713,547	-	-	302,036
Landfill	747,285	796,114	-	-	48,829
Total business-type activities	22,503,762	24,786,316	-	-	2,282,554
Total primary government	28,810,296	25,130,836	360,000	763,344	(2,556,116)
Component unit:					
City of Cairo Development Authority	$ 113,677	$ -	$ -	$ -	$ (113,677)

See accompanying notes to financial statements.

CITY OF CAIRO, GEORGIA
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Cairo Development Authority
Change in net assets:				
Net (expense) revenue	$ (4,838,670)	$ 2,282,554	$ (2,556,116)	$ (113,677)
General revenues:				
Taxes:				
Property taxes	1,410,179	-	1,410,179	-
Local option sales taxes	1,026,615	-	1,026,615	-
Other taxes	896,223	-	896,223	-
Investment income	35,013	29,518	64,531	86,108
Gain (loss) on disposal of capital assets	-	442,973	442,973	-
Other revenues	171,308	237,082	408,390	-
Transfers	2,161,404	(2,161,404)	-	-
Total general revenues and transfers	5,700,742	(1,451,831)	4,248,911	86,108
Change in net assets	862,072	830,723	1,692,795	(27,569)
Net assets, beginning of year , restated	12,279,886	19,707,669	31,987,555	(325,669)
Net assets, end of year	$ 13,141,958	$ 20,538,392	$ 33,680,350	$ (353,238)

See accompanying notes to financial statements.

CITY OF CAIRO, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	SPLOST 2008 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 611,874	$ -	$ 38,756	$ 650,630
Investments	-	-	-	-
Accounts receivable, net	70,625	134,008	-	204,633
Property tax receivable	-	-	-	-
Inventories	16,656	-	-	16,656
Other current assets	43,473	-	-	43,473
Due from other governments	-	-	-	-
Due from component unit	25,006	-	-	25,006
Due from general fund	-	-	-	-
Due from other funds	3,517,587	-	-	3,517,587
Restricted assets:				-
Cash and cash equivalents	161,265	73,062	1,333,857	1,568,184
Investments	-	-	-	-
Sales tax receivable	88,209	-	-	88,209
Program receivables	-	-	1,094,170	1,094,170
Total assets	4,534,695	207,070	2,466,783	7,208,548
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	402,912	-	1,899	404,811
Accrued expenses	30	-	-	30
Customer deposits	-	-	-	-
Deferred revenues	-	-	2,000	2,000
Due to other governments	-	-	-	-
Due to general fund	-	-	-	-
Due to other funds	117,867	-	-	117,867
Due to component unit	-	-	-	-
Liabilities payable from restricted assets	-	-	-	-
Total liabilities	520,809	-	3,899	524,708
Fund balances				
Nonspendable	16,656			16,656
Restricted for:				
Special purposes	-	207,070	2,416,678	2,623,748
Public services	-	-	48,202	48,202
Unassigned (deficit), reported in				
General Fund	3,997,230	-	-	3,997,230
Capital projects funds	-	-	(1,996)	(1,996)
Total fund balances (deficit)	4,013,886	207,070	2,462,884	6,683,840
Total liabilities and fund balances (deficit)	$ 4,534,695	$ 207,070	$ 2,466,783	$ 7,208,548

See accompanying notes to financial statements.

CITY OF CAIRO, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total governmental fund balances	$	6,683,840
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,214,550
Prepaid expenses are reported as an expenditure of current financial resources in the period purchased in governmental activities and, therefore, are not reported in the funds.		188,157
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		(133,972)
Notes payable		(500,000)
Capital leases		(310,617)
Net assets of governmental activities	$	13,141,958

See accompanying notes to financial statements.

CITY OF CAIRO, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2012

	General Fund	SPLOST 2008 Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	$ 1,410,179	$ -	$ -	$ 1,410,179
Local option sales taxes	992,925		-	992,925
Other taxes and licenses	961,497	-	33,690	995,187
Fines, forfeitures and fees	257,311	-	-	257,311
Charges for services	21,935	-	-	21,935
Investment income	3,918	10,383	35,309	49,610
Intergovernmental	10,000	738,747	360,000	1,108,747
Other revenues	171,308	-	-	171,308
Total revenues	3,829,073	749,130	428,999	5,007,202
EXPENDITURES				
Current:				
General government	972,980	118	-	973,098
Public safety	3,466,561	-	-	3,466,561
Public works	971,246	-	-	971,246
Parks and recreation	879,715	-	-	879,715
Other costs	683,697	-	23,819	707,516
Capital outlays	-	1,904,393	31,000	1,935,393
Debt service:				-
Principal	85,233	-	-	85,233
Interest	14,489	-	-	14,489
Total expenditures	7,073,921	1,904,511	54,819	9,033,251
Excess (deficiency) of revenues over expenditures	(3,244,848)	(1,155,381)	374,180	(4,026,049)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	4,220,031	-	2,441	4,222,472
Transfers to other funds	(1,474,627)	(65)	(586,376)	(2,061,068)
Sale of capital assets	-	-	-	-
Long - term debt issued	500,000	-	-	500,000
Total other financing sources (uses)	3,245,404	(65)	(583,935)	2,661,404
Net change in fund balances	556	(1,155,446)	(209,755)	(1,364,645)
Fund balances (deficit), beginning of year	4,013,330	1,362,516	2,672,639	8,048,485
Fund balances (deficit), end of year	$ 4,013,886	$ 207,070	$ 2,462,884	$ 6,683,840

See accompanying notes to financial statements.

CITY OF CAIRO, 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 June 30, 2012

Net change in fund balances - total governmental funds	$	(1,364,645)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report prepaid expenses as expenditures. However, in the Statement of Activities the cost of the services are recorded as expenses in the period consumed.		48,447
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.		
Capital asset purchases capitalized		2,916,330
Depreciation expense		(322,791)
The issuance of long-term debt provides current financial resources to governemental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of governmental funds. The issuance of long term debt increases long term liabilities and the repayment of long term debt reduces long term liabilities in the statement of net assets.		
Debt issued		(500,000)
Debt payments made		92,975
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.		
Compensated absences		(8,244)
Change in net assets of governmental activities	$	862,072

See accompanying notes to financial statements.

CITY OF CAIRO, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Property taxes	$ 1,411,500	$ 1,411,500	$ 1,410,179	$ (1,321)
Local option sales taxes	900,000	1,000,000	992,925	(7,075)
Other taxes and licenses	744,000	744,000	896,223	152,223
Fines, forfeitures and fees	375,000	375,000	257,311	(117,689)
Licenses and Permits	225,000	225,000	65,274	(159,726)
Charges for services	21,000	21,000	21,935	935
Investment income	4,000	4,000	3,918	(82)
Intergovernmental	-	-	10,000	10,000
Other revenues	42,846	133,627	171,308	37,681
Total revenues	3,723,346	3,914,127	3,829,073	(85,054)
EXPENDITURES				
Current:				
General government				
City council	110,379	102,688	102,556	132
City manager	254,660	245,399	245,081	318
Finance	240,700	225,646	208,645	17,001
Purchasing	-	-	-	-
Legal	23,788	25,354	25,299	55
Information systems	-	-	-	-
Municipal court	34,280	29,644	28,454	1,190
Human resources	174,434	169,599	169,491	108
Clerk of council	217,109	193,595	193,454	141
Main street program	-	-	-	-
Engineering	-	-	-	-
Garage	-	-	-	-
Total general government	1,055,350	991,925	972,980	18,945
Public safety				
Police	2,202,085	2,115,109	2,105,696	9,413
School crossing guards	-	-	-	-
Fire	1,123,297	1,146,178	1,143,173	3,005
Code enforcement	231,381	217,946	217,692	254
Total public safety	3,556,763	3,479,233	3,466,561	12,672
Public works				
Office of the director	148,742	148,048	147,799	249
Streets and sidewalks	530,168	646,351	646,102	249
Maintenance and shop	180,716	178,391	177,345	1,046
Total public works	859,626	972,790	971,246	1,544
Parks and recreation				
Recreation	55,230	56,774	56,772	2
Parks and cemetery	484,475	586,171	585,443	728
Library	137,500	237,500	237,500	-
Administration	4,000	-	-	-
Total parks and recreation	681,205	880,445	879,715	730

See accompanying notes to financial statements.

CITY OF CAIRO, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
Other costs	660,053	622,786	683,697	(60,911)
Capital outlays	-	-	-	-
Debt service:				
Principal	77,789	85,237	85,233	4
Interest	20,115	14,490	14,489	1
Total expenditures	6,910,901	7,046,906	7,073,921	(27,015)
Excess (deficiency) of revenues over expenditures	(3,187,555)	(3,132,779)	(3,244,848)	(112,069)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	2,737,555	4,154,964	4,220,031	65,067
Transfers to other funds	-	(1,472,185)	(1,474,627)	(2,442)
Sale of capital assets	-	-	-	-
Long - term debt issued	450,000	450,000	500,000	50,000
Other sources	-	-	-	-
Total other financing sources (uses)	3,187,555	3,132,779	3,245,404	112,625
Net change in fund balances	-	-	556	556
Fund balances (deficit), beginning of year	4,013,331	4,013,331	4,013,331	-
Fund balances (deficit), end of year	$ 4,013,331	$ 4,013,331	$ 4,013,887	$ 556

See accompanying notes to financial statements.

CITY OF CAIRO, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Business Type Activities - Enterprise Funds				
	Water and Sewer Fund	Electric Revenue Fund	Cable TV Fund	Nonmajor Enterprise Funds	Total
ASSETS					
Current assets					
Cash and cash equivalents	$ -	$ 3,950	$ -	$ 11,024	$ 14,974
Investments	-	7,651,935	-	-	7,651,935
Accounts receivable, net	225,558	1,593,785	750,339	505,947	3,075,629
Inventories	104,688	588,723	432,208	64,822	1,190,441
Other current assets	24,634	8,139	1,512	25,354	59,639
Total current assets	354,880	9,846,532	1,184,059	607,147	11,992,618
Non - current assets					
Due from general fund	40,197	51,206	-	26,464	117,867
Due from other funds	-	2,793,577	236,054	61,324	3,090,955
Due from component unit	-	-	-	-	-
Due from other governments	-	-	-	-	-
Investment in SGGSA	-	-	603,118	-	603,118
Unamortized bond issuance cost	283,337	-	-	-	283,337
Restricted assets - cash	419,513	-	813,207	2,897,576	4,130,296
Capital assets:					
Land	1,419,016	118,595	-	174,171	1,711,782
Construction in progress	572,062	-	-	298,236	870,298
Other capital assets, net of accumulated depreciation	15,522,080	3,289,364	5,650,228	2,375,292	26,836,964
Total assets	18,611,085	16,099,274	8,486,666	6,440,210	49,637,235
LIABILITIES					
Current liabilities					
Accounts payable	69,684	1,670,423	269,833	147,209	2,157,149
Accrued expenses	35,543	171,385	170,395	122,536	499,859
Short term notes payable	-	-	-	-	-
Current portion of long - term debt	-	-	-	31,208	31,208
Customer deposits	-	416,544	-	-	416,544
Deferred revenue	-	-	442,973	22,628	465,601
Due to general fund	-	-	3,517,587	-	3,517,587
Due to other governments	-	-	-	-	-
Due to other funds	-	61,324	2,793,577	236,054	3,090,955
Liabilities payable from restricted assets:					
Current portion of long - term debt	575,255	29,745	732,810	47,190	1,385,000
Total current liabilities	680,482	2,349,421	7,927,175	606,825	11,563,903
Long - term debt, net of current portion	8,143,418	417,165	3,784,765	250,470	12,595,818
Deferred revenue	-	-	1,138,047	-	1,138,047
Compensated absences	34,984	41,837	-	20,283	97,104
Other liabilities - environmental remediation	-	-	-	3,703,971	3,703,971
Total liabilities	8,858,884	2,808,423	12,849,987	4,581,549	29,098,843
NET ASSETS					
Invested in capital assets, net of related debt	8,794,485	2,961,049	1,132,653	2,847,699	15,735,886
Restricted for debt service	-	-	-	-	-
Unrestricted (deficit)	957,716	10,329,802	(5,495,974)	(989,038)	4,802,506
Total net assets	$ 9,752,201	$ 13,290,851	$ (4,363,321)	$ 1,858,661	$ 20,538,392

See accompanying notes to financial statements.

CITY OF CAIRO, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended June 30, 2012

	Business Type Activities - Enterprise Funds				
	Water and Sewer Fund	Electric Revenue Fund	Cable TV Fund	Nonmajor Enterprise Funds	Total
OPERATING REVENUES					
Utility revenues	$ -	$ 15,644,153	$ -	$ 1,158,716	$ 16,802,869
Charges for services	2,824,777	-	2,733,170	2,662,582	8,220,529
Intergovernmental	-	-	-	-	-
Total operating revenues	2,824,777	15,644,153	2,733,170	3,821,298	25,023,398
OPERATING EXPENSES					
Salaries and wages	953,820	646,443	131,650	642,202	2,374,115
Operating, administrative and maintenance	1,555,763	11,598,365	2,070,717	2,600,205	17,825,050
Depreciation	593,265	269,836	465,593	258,269	1,586,963
Total operating expenses	3,102,848	12,514,644	2,667,960	3,500,676	21,786,128
Operating income (loss)	(278,071)	3,129,509	65,210	320,622	3,237,270
NON - OPERATING INCOME (EXPENSES)					
Interest income	2,162	7,818	-	19,088	29,068
Gain from joint venture	-	-	450	-	450
Interest expense	(397,003)	(19,319)	(284,388)	(16,924)	(717,634)
Gain (loss) on disposal of capital assets	-	-	442,973	-	442,973
Income (loss) before contributions and transfers	(672,912)	3,118,008	224,245	322,786	2,992,127
Capital contributions	-	-	-	-	-
Transfers from other funds	1,625,903	1,593,243	182,032	1,077,419	4,478,597
Transfers to other funds	(902,876)	(3,460,682)	(123,250)	(2,153,193)	(6,640,001)
Change in net assets	50,115	1,250,569	283,027	(752,988)	830,723
Net assets (deficit), beginning of year, restated	9,702,086	12,040,282	(4,646,348)	2,611,649	19,707,669
Net assets (deficit), end of year	$ 9,752,201	$ 13,290,851	$ (4,363,321)	$ 1,858,661	$ 20,538,392

See accompanying notes to financial statements.

CITY OF CAIRO, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Business Type Activities - Enterprise Funds				
	Water and Sewer Fund	Electric Revenue Fund	Cable TV Fund	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	$ 2,850,200	$ 15,705,998	$ 2,846,237	$ 3,670,866	$ 25,073,301
Other operating receipts	-	-	(47,334)	19,818	(27,516)
Cash payments to employees	(948,431)	(603,476)	(131,650)	(791,195)	(2,474,752)
Cash payments to suppliers	(1,685,850)	(11,737,474)	(2,050,282)	(2,289,926)	(17,763,532)
Net cash provided (used) by operating activities	215,919	3,365,048	616,971	609,563	4,807,501
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	1,625,903	1,593,243	182,032	1,077,419	4,478,597
Transfers to other funds	(902,876)	(3,460,682)	(123,250)	(2,153,193)	(6,640,001)
Net change in due from general fund	(40,197)	(51,206)	(236,054)	(26,464)	(353,921)
Net change in due from other funds	-	103,017	8,397	255,850	367,264
Net change in due from component unit	-	-	-	-	-
Net change in due to general fund	-	-	128,229	-	128,229
Net change in due to other funds	-	(19,795)	6,825	(10,402)	(23,372)
Net cash provided (used) by noncapital financing activities	682,830	(1,835,423)	(33,821)	(856,790)	(2,043,204)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from issuance of long - term debt	-	-	-	31,208	31,208
Proceeds from sale of assets	-	-	-	-	-
Proceeds from capital contributions	-	-	-	-	-
Acquisition and construction of capital assets	(864,668)	(336,036)	-	(86,378)	(1,287,082)
Principal payments on long - term debt	(551,484)	(28,516)	(613,834)	(45,940)	(1,239,774)
Interest paid	(397,003)	(19,319)	(284,841)	(16,924)	(718,087)
Net cash provided (used) by capital and related financing activities	(1,813,155)	(383,871)	(898,675)	(118,034)	(3,213,735)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments	-	-	47,907	-	47,907
Purchase of investments	-	(1,170,962)	-	-	(1,170,962)
Loan disbursements	-	-	-	-	-
Interest received	2,162	7,818	-	19,087	29,067
Net cash provided (used) by investing activities	2,162	(1,163,144)	47,907	19,087	(1,093,988)
Net increase (decrease) in cash and cash equivalents	(912,244)	(17,390)	(267,618)	(346,174)	(1,543,426)
Cash and cash equivalents, beginning of year	1,331,757	21,340	1,080,825	3,254,774	5,688,696
Cash and cash equivalents, end of year	$ 419,513	$ 3,950	$ 813,207	$ 2,908,600	$ 4,145,270

See accompanying notes to financial statements.

CITY OF CAIRO, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Business Type Activities - Enterprise Funds				
	Water and Sewer Fund	Electric Revenue Fund	Cable TV Fund	Nonmajor Enterprise Funds	Total
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ (278,071)	$ 3,129,509	$ 65,210	$ 320,622	$ 3,237,270
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	593,265	269,836	465,593	258,269	1,586,963
Closure / post closure costs	-	-	-	274,009	274,009
Other	(71,722)	-	-	-	(71,722)
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	25,423	(25,414)	65,733	(130,614)	(64,872)
Inventories	(9,580)	(16,922)	(77,239)	(17,908)	(121,649)
Other current assets	7,138	(1,338)	(551)	7,879	13,128
Due from general fund	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from component unit	-	-	-	-	-
Increase (decrease) in:					
Accounts payable	(55,923)	(120,849)	72,426	4,045	(100,301)
Accrued expenses	5,389	130,226	25,799	(106,739)	54,675
Due to general fund	-	-	-	-	-
Due to other funds	-	-	-	-	-
Net cash provided (used) by operating activities	$ 215,919	$ 3,365,048	$ 616,971	$ 609,563	$ 4,807,501

See accompanying notes to financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Cairo, Georgia (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America 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. With respect to proprietary activities, including component units, the City has adopted GASB Statement of Accounting Standards No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. The City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989 unless those pronouncements are inconsistent with GASB pronouncements. The more significant of the government's accounting policies are described below.

I. Reporting Entity

The City of Cairo was incorporated in 1906. The City's Charter provides for a Council-Mayor form of government. The City Manager is the head of the administrative branch of government and is responsible for the day-to-day operations of the city government. The legislative authority of the City is vested in the Mayor and five Council members with an appointed City Manager. The City provides the following services and operations as authorized by its charter: public safety (police and fire), public works, recreation, airport, and public utilities (water and sewer, gas, electric, solid waste, landfill, cable TV and Internet services).

The financial reporting entity has been determined by management in accordance with accounting principles generally accepted in the United States of America to be the City of Cairo (the primary government) and its component unit. A component unit is a legally separate organization for which the primary government is financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the government for financial reporting purposes, management has considered all component units.

The criteria used to determine financial accountability are the ability of the primary government to appoint a voting majority of the organization's governing body, and effectively impose its will on the organization. Also, if there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government, financial accountability would exist. Based upon the application of these criteria, the following is a brief review of the component unit included in the City's reporting unit as a discretely presented component unit.

City of Cairo Development Authority

The City of Cairo Development Authority (the Authority) plans and develops the downtown area of the City in order to attract new business and residences. The Mayor and Council elect all three members of the Authority's Board and the City possesses the authority to review, approve and revise the Authority's budget and governs collection and disbursement of its funds. The Authority is reported as a proprietary fund type component unit. Separate financial statements are not issued.

II. Government-Wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Changes in Net Assets) report information on all non-fiduciary activities of the primary government and its component unit. As a general rule, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is accountable.

The Statement of Activities demonstrates the degree to which 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government – Wide Financial Statements

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental and Business-Type activities for the City.

These statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund financial statements. Accordingly, all the City's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in assets. Under 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. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function, and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Certain eliminations have been made as prescribed by GASB Statement of Accounting Standards No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments* in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated, however, those transactions between governmental and business-type activities have not been eliminated. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Fund Financial Statements

Governmental Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The City considers revenues to be available if they are collected within sixty days after year end. Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, and investment income. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The *General Fund* is the principal fund of the City and is used to account for all of its activities not otherwise accounted for by a specified fund.

The *SPLOST 2008 Fund* is used to account for financial resources for the acquisition or construction of major capital facilities and improvements other than those financed by Proprietary Funds. These projects are financed through budget appropriations, revenue bonds, sales tax proceeds and general obligation sales tax, and capital leases.

Additionally the City reports the following governmental fund types:

The *Special Revenue Funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

The *Capital Projects Funds* are used to account for financial resources for the acquisition or construction of major capital facilities and improvements other than those financed by Proprietary Funds. These projects are financed through budget appropriations, revenue bonds, sales tax proceeds and general obligation sales tax, and capital leases.

Proprietary Funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting* and are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services 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.

Enterprise Funds account for activities that are usually self-sustaining, principally through user charges for services rendered.

The City reports the following major enterprise funds:

The *Water and Sewer Fund* accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The *Electric Revenue Fund* accounts for the provision of electrical services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The *Cable TV Fund* accounts for the provision of cable television services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

Component Units: All component units are reported using the *economic resources measurement focus basis* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America except that encumbrances are treated as budgeted expenditures in the year of the incurrence of the commitment to purchase. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored through subsequent years' budget appropriations.

Cash and Cash Equivalents

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less.

Investments

State Statutes authorize the City and the Authority to invest in obligations of the State of Georgia, obligations issued by the United States Government, obligations fully insured or guaranteed by the United States Government or by a government agency of the United States, obligations of any corporation of the United States Government, prime bankers' acceptances, the local government's investment pool established by Georgia Law, repurchase agreements, and obligations of other political sub-divisions of the State of Georgia, and, additionally, certificates of deposits, NOW accounts, and money market accounts of banks, which have deposits insured by the Federal Deposit Insurance Corporation; provided, however, that portion of such investment shall be secured by direct obligations of the State of Georgia or the United States, which are of a par value equal to one hundred ten percent (110%) of funds on deposit at the institution.

Investments for the City and its component unit are reported at fair value.

Receivables

Receivables and Due from Other Governments represent funds to be received from other local governments, state grant in aid, state contracts, or federal funds. No allowance is deemed necessary for these receivables.

All trade and property tax receivables have been reduced to their estimated net realizable value and are shown net of an allowance for doubtful accounts. Estimated uncollectible amounts are based upon historical experience rates.

Inventories

Inventory in enterprise funds is valued at the lower of cost or market using the first-in / first-out method. Inventory in the governmental funds is valued at cost and consists of expendable supplies held for consumption. The City accounts for inventory on the purchase basis.

Prepaid Items

Certain payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements of the enterprise funds.

Interfund Receivables / Payables

Outstanding balances between funds at the end of the fiscal year are referred to as either "Due From Other Funds" or "Due To Other Funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances".

Restricted Assets

Certain assets of the City and the Authority are subject to restrictions imposed by parties outside the government (such as creditors, grantors, contributors, and laws or regulations of other governments). The City would typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use, thereof, to a future project or replacement equipment acquisition.

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 or business-type activities columns in the government-wide financial statements. The City's policy has set the capitalization threshold at $5,000 for reporting capital assets and infrastructure assets. All fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the year ended June 30, 2012 no interest incurred was attributable to the cost of capital assets associated with construction projects.

Depreciation is provided on the straight-line method over the following estimated useful lives:

Governmental Assets:	
Buildings and improvements	10 - 30 years
Machinery and equipment	3 - 10 years
Infrastructure	20 - 50 years
Business-type Assets:	
Buildings and improvements	10 - 50 years
Machinery and equipment	3 - 10 years

Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave, since the Government does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds, only if they have matured, for example, as a result of employee resignations and/or retirements. The General Fund is used to liquidate compensated absences, unless associated with a specific proprietary fund.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method, which is not significantly different than 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 and discounts, as well as bond issuance costs, during the current period. The face amount of the issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity

Beginning with fiscal year 2011, the City implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Fund and Capital Projects Funds. Encumbrances outstanding at year end are reported as restrictions of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at the end of the year. Encumbrances are re-appropriated in the following year, except for encumbrances in the Capital Projects Funds which are continuing. Encumbrances do not represent GAAP expenditures. At June 30, 2012, there were no encumbrances outstanding.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain amounts in the June 30, 2011 financial statements have been reclassified to conform to the June 30, 2012 financial statement presentation. The reclassifications had no effect on previously reported net assets or fund balances.

Subsequent Events

The City has performed an evaluation of subsequent events, as defined under ASC 855, through December 21, 2012, which is the date the financial statements were available to be issued, and determined that there are no subsequent events that are required to be adjusted to, or disclosed in, the financial statements.

NOTE B - BUDGETS AND BUDGETARY ACCOUNTING

I. Budget Process

The annual budget document is the financial plan for the operation of the City. The budget process exists for the purpose of providing 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 City's financial position. An annual operating budget is adopted for the General Fund and Enterprise Funds.

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1) City departments submit budget requests to the City Manager.
2) Proposed budgets are reviewed and prepared by the City Manager for submission to the Mayor and the City Council.
3) Public hearings on the proposed budget are held.
4) The budget is legally adopted by the Mayor and the City Council.
5) All budget revisions must be approved as required by Georgia law and administrative policy. Revisions that alter the total expenditures of any department or fund must be approved by the City Council.
6) Formal budgetary integration is employed as a management control device during the year for the General Fund and the Enterprise Funds.
7) Budgets for the General Fund and the Enterprise Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Original budgeted amounts for the year ended June 30, 2012, were adopted by the City Council on June 13, 2011.

II. Capital Projects Budget

The construction of certain major capital facilities and improvements, which are accounted for by the City in the Capital Projects Funds, are subject to budgetary control on a project basis. The budgets are approved by the City Council and are generally subject to specific provisions of voter referendums, State statutes, and/or grant agreements. Appropriations for a specific project do not lapse until completion of the project.

III. Deficit Fund Balances

The following funds had deficit fund balances / retained earnings as of June 30, 2012:

Fund		Deficit
Cable TV	$	4,363,321
Grant Projects		1,996
Landfill		316,995

The fund deficits above are expected to be reduced through increased user charges and General Fund appropriations.

NOTE C - DEPOSITS AND INVESTMENTS

I. Cash on Deposit

The City's deposits include cash on deposit with financial institutions. Cash equivalents subject to federal and state depository insurance are classified as deposits. For cash deposits, the bank balance is classified into three categories of credit risk:

1) Cash that is insured or collateralized with securities held by the government or by its agent in the government's name.
2) Cash collateralized with securities held by the pledging financial institution's trust department or agent in the government's name.
3) Cash collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name, or uncollateralized.

The Georgia Code requires that depository institutions collateralize cash deposits of public funds. Depositories of public funds may secure deposits by the insurance of the F.D.I.C., pledged securities, or a combination of these methods. The market value of pledged securities shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance.

As of June 30, 2012, the carrying amount of the City's deposits was $6,364,084 and the bank balance was $5,398,631. The deposits were classified as follows:

	Category			
	1	2	3	Total
Bank balance	$ 1,000,000	$ 4,398,631	$ - -	$ 5,398,631

As of June 30, 2012, the carrying amount of deposits for the City of Cairo Development Authority was $93,128 and the bank balances were $111,718. The deposits were classified as follows:

	Category			
	1	2	3	Total
Bank balance	$ 111,718	$ - -	$ - -	$ 111,718

II. Investments

Primary Government

Municipal Competitive Trust

The Municipal Electric Authority of Georgia (MEAG) formed a Trust, known as the "Municipal Competitive Trust", for the benefit of its participants, (which includes the City of Cairo, Georgia, along with forty-six (46) other Cities and Counties). The Competitive Trust has been funded with certain monies, which have been accumulated in MEAG Power reserves, including certain rate stabilization monies and sums from the debt service reserves, which were released following a successful effort to obtain bondholder consent to amend the Project One and General Resolution Projects Resolutions. Surety bonds were substituted for the debt service reserves, to preserve the security of the bondholders, thus, allowing the accumulated debt service reserves to be transferred to the Competitive Trust. Funds in the Competitive Trust will be invested and reinvested, and will be available to reduce future power supply costs of the participants to meet retail competition.

Discretionary funds from the participants were deposited in the Flexible Trust Account, which is part of the Municipal Competitive Trust, established by MEAG and represents an involuntary participation external investment pool that is not registered with the S.E.C., as an investment company. The City of Cairo, Georgia has recorded the investments in the Flexible Trust Account, in the Electric Fund, at fair market value which was $7,651,935 at June 30, 2012. Fair market value is determined based on the fair value of the underlying portfolio, calculated daily, with earnings distributed monthly. The fair value of the

position in the external investment pool is the same as the value of the pool shares. The Municipal Competitive Trust permits the investment of funds in direct obligations of the United States Government, certain government agencies, if guaranteed by the United States Government, direct and general obligations of States, certain Federal agency discount notes and repurchase agreements collateralized by securities, which would, otherwise, be permissible under the laws of the State of Georgia.

Under the above parameters, investments are made in mortgage and derivative securities. These securities principally include agency-issued mortgages, collateralized mortgage obligations, principle-only strips and interest only securities that are required to repay one hundred percent (100%) of their principal investment at maturity. The yield on derivative securities is based on cash flows received, as determined by a specified formula or index and/or cash flows from principle repayments on underlying mortgages. Therefore, the rate of return and market value of these securities may be sensitive to changes in their respective index or formula and/or in pre-payment on mortgages, which may result from changing interest rates.

MEAG Power and, therefore, the City of Cairo, Georgia, to the extent of its portion of the Flexible Trust Account, are exposed to credit and market risk, relating to its investments. Credit risk arises when an entity is unable to recover its investments, either by an inability to withdraw the funds through non-performance of a counter party or an inability to recover collateral. Market risk could affect the investments adversely when either the value of items purchased or the value of underlying collateral declines.

Derivative Financial Instruments

Derivative financial instruments are used principally in the management of interest rate exposure and include interest rate swap transactions. Derivative financial instruments are not held or issued for trading purposes. The counter parties to derivative transactions are major financial institutions, with either high investment grade credit ratings or agreements to collateralize their net position.

Swap transactions are accrued to interest expense for the difference between the agreed upon fixed and floating rates. Options are recorded at fair value, based on the estimated amount that would be received or paid to terminate the options at the reporting date, based on broker quotes. Options are revalued and marked to market.

MEAG Power and the City's portion of the Flexible Trust Account will be exposed to less variable rate exposure, if the counter party to the swap transaction defaults or if the swap is terminated. Any termination of the swap agreements may also result in MEAG Power, through the appropriate trust account, making or receiving a settlement payment.

Component Unit

The Authority's investments consist primarily of funds placed in irrevocable escrow accounts and invested in U.S. Treasury notes. These investments are restricted for the retirement of principle and interest on certain Revenue Bonds.

Classification of Investments

Investments are categorized into three categories of credit risk:

1) Insured or registered, or securities held by the City or Authority or their agent in the name of the City or Authority.
2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City or Authority's name.
3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City or Authority's name.

At June 30, 2012, The City's investments in the MEAG Municipal Competitive Trust investment pool totaling $7,651,935 are not evidenced by securities that exist, in physical or book entry form, and are not classified by category or credit risk. Additionally, no indication of the level of risk has been provided, because these investments are in pools managed by other governments or by other agents.

As of June 30, 2012, the City's investments were classified as follows:

	Category			
	1	2	3	Fair Value
U.S. Government Securities	$ - -	$ 7,651,935	$ - -	$ 7,651,935
				$ 7,651,935

As of June 30, 2012, the City's interest rate risk related to its investments was as follows:

	Fair Value	Maturities	Credit Quality
U.S. Government Securities	$ 7,651,935	July 1, 2012 through December 15, 2015	Unavailable
	$ 7,651,935		

III. Reconciliation of Cash and Investments to Financial Statement Presentation

A reconciliation of cash and investments of the primary government as shown above to the corresponding amounts shown on the Statement of Net Assets is as follows:

Cash – Primary Government from above	$ 6,364,084
Investments from above	7,651,935
Total	$ 14,016,019
Amounts as presented on the entity-wide Statement of Net Assets	
Governmental Activities:	
Cash and cash equivalents	$ 650,630
Restricted cash and cash equivalents	1,568,184
Business-type Activities:	
Cash and cash equivalents	14,974
Investments	7,651,935
Restricted cash and cash equivalents	4,130,296
Restricted investments	-
Total	$ 14,016,019

NOTE D – RECEIVABLES AND TAX REVENUE

I. Property Tax

Property taxes are levied in October based on property values assessed as of January 1. The billing representing the current year tax levy is mailed on December 15th. The billings are considered past due sixty (60) days after the billing date and penalties and interest are assessed. The applicable property is subject to lien after the billings are ninety (90) days delinquent.

The tax rate levied during fiscal year 2012 for the City's operations was 8.079 mills (mill equals $1 per thousand dollars of assessed value).

The City maintains no allowance for uncollectible property taxes at June 30, 2012.

II. Sales Tax

Grady County, Georgia has levied two 1% Special Purpose Local Option Sales Tax Programs (SPLOST) which were passed by referendum in 2003 and 2007. The proceeds from these sales tax programs are used to finance various capital projects. The SPLOST programs are administered by Grady County, Georgia.

III. Receivables

Receivables as of June 30, 2012 are as follows:

Primary Government

	General Fund	SPLOST 2008 Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Electric Revenue Fund
Accounts receivable	$ 70,625	$ 134,008	$ - -	$ 361,545	$ 2,213,758
Property tax receivable	- -	- -	- -	- -	- -
Sales tax receivable	88,209	- -	- -	- -	- -
Program receivables	- -	- -	1,094,170	- -	- -
Gross receivables	158,834	134,008	1,094,170	361,545	2,213,758
Less: Allowance for uncollectibles	- -	- -	- -	(135,987)	(619,973)
Net total receivables	$ 158,834	$ 134,008	$ 1,094,170	$ 225,558	$ 1,593,785

	Cable TV Fund	Nonmajor Enterprise Funds	Total
Accounts receivable	$ 2,596,866	610,968	$ 5,987,770
Property tax receivable	- -	- -	- -
Sales tax receivable	- -	- -	88,209
Program receivables	- -	- -	1,094,170
Gross receivables	2,596,866	610,968	7,170,149
Less: Allowance for uncollectibles	(1,846,527)	(105,021)	(2,707,508)
Net total receivables	$ 750,339	505,947	$ 4,462,641

Component Unit

The City of Cairo Development Authority leases a post office building to the United States Postal Service under a sales-type lease, as defined in Accounting Standards Codification (ASC) 840, "*Accounting for Leases*". The investment in the sales-type lease is included in program receivables and unearned interest income is included in deferred revenues.

The components of the net investment in the sales-type lease at June 30, 2012 were as follows:

Minimum future rentals	$ 1,741,048
Less unearned interest income	(347,119)
Net investment in sales-type lease	$ 1,393,929

At June 30, 2012, the minimum future lease payments to be received under the sales-type lease are as follows:

Year Ending June 30,	Total
2013	$ 223,769
2014	223,769
2015	223,769
2016	223,769
2017	223,769
Thereafter	622,203
	$ 1,741,048

NOTE E – INTERFUND RECEIVABLES AND PAYABLES AND INTERFUND TRANSFERS

I. Interfund Receivables and Payables

Interfund receivables and payables result from timing differences between the date's goods and services are provided and the dates that payments are made. The composition of interfund receivables and payables as of June 30, 2012 is as follows:

	Due From				
Due To	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Electric Revenue Fund	Cable TV Fund
General Fund	$ - -	$ - -	$ - -	$ - -	$ 3,517,587
Nonmajor Governmental Funds	- -	- -	- -	- -	- -
Water and Sewer Fund	40,197	- -	- -	- -	- -
Electric Revenue Fund	51,206	- -	- -	- -	2,793,577
Cable TV Fund	- -	- -	- -	- -	- -
Nonmajor Enterprise Funds	26,464	- -	- -	61,324	- -
Total	$ 117,867	$ - -	$ - -	$ 61,324	$ 6,311,164

	Due From	
Due To	Nonmajor Enterprise Funds	Total
General Fund	$ - -	$ 3,517,587
Nonmajor Governmental Funds	- -	- -
Water and Sewer Fund	- -	40,197
Electric Revenue Fund	- -	2,844,783
Cable TV Fund	236,054	236,054
Nonmajor Enterprise Funds	- -	87,788
Total	$ 236,054	$ 6,726,409

II. Interfund Transfers

Interfund transfers are used to move revenues from the fund that the Statute or budget requires to collect them to the fund that the Statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund and Enterprise Funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

	Transfer To				
Transfer From	General Fund	SPLOST 2008 Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Electric Revenue Fund
General Fund	$ - -	$ - -	$ 2,441	$ 1,014,372	$ - -
SPLOST 2008	65	- -	- -	- -	- -
Nonmajor Governmental Funds	114,230	- -	- -	472,068	78
Water and Sewer Fund	387,284	- -	- -	- -	515,592
Electric Revenue Fund	3,055,216	- -	- -	98,902	- -
Cable TV Fund	123,250	- -	- -	- -	- -
Nonmajor Enterprise Funds	539,986	- -	- -	40,561	1,077,571
Total	$ 4,220,031	$ - -	$ 2,441	$ 1,625,903	$ 1,593,243

	Transfer To		
Transfer From	Cable TV Fund	Nonmajor Enterprise Funds	Total
General Fund	$ - -	$ 457,812	$ 1,474,625
SPLOST 2008	- -	- -	65
Nonmajor Governmental Funds	- -	- -	586,376
Water and Sewer Fund	- -	- -	902,876
Electric Revenue Fund	- -	306,564	3,460,682
Cable TV Fund	- -	- -	123,250
Nonmajor Enterprise Funds	182,032	313,043	2,153,193
Total	$ 182,032	$ 1,077,419	$ 8,701,067

NOTE F – CAPITAL ASSETS

The following is a summary of capital asset activity as of June 30, 2012:

Primary Government

Governmental Activities:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets, not being depreciated				
Land and land improvements	$ 403,819	$ 27,546	$ - -	$ 431,365
Construction in progress	- -	- -	- -	- -
Total capital assets not being depreciated	403,819	27,546	- -	431,365
Other capital assets				
Buildings and improvements	4,108,792	1,211,991	- -	5,320,783
Machinery and equipment	3,247,586	78,293	- -	3,325,879
Infrastructure	2,999,151	1,598,500	- -	4,597,651
Total other capital assets at cost	10,355,529	2,888,784	- -	13,244.313
Less accumulated depreciation for				
Buildings and improvements	(1,463,535)	(107,985)	- -	(1,571,520)
Machinery and equipment	(2,530,989)	(135,170)	- -	(2,666,159)
Infrastructure	(2,143,813)	(79,636)	- -	(2,223,449)
Total accumulated depreciation	(6,138,337)	(322,791)	- -	(6,461,128)
Other capital assets, net	4,217,192	2,565,993	- -	6,783,185
Governmental activities capital assets, net	$ 4,621,011	$ 2,593,539	$ - -	$ 7,214,550

Business-type activities:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets, not being depreciated				
Land and land improvements	$ 1,711,782	$ - -	$ - -	$ 1,711,782
Construction in progress	873,230	520,506	(523,438)	870,298
Total capital assets not being depreciated	2,585,012	520,506	(523,438)	2,582,080
Other capital assets				
Buildings and system	48,286,466	904,106	- -	49,190,572
Machinery and equipment	6,081,111	383,632	- -	6,464,743
Total other capital assets at cost	54,367,577	1,287,738	- -	55,655,315
Less accumulated depreciation for				
Buildings and system	(21,835,993)	(1,384,697)	- -	(23,220,690)
Machinery and equipment	(5,395,395)	(202,266)	- -	(5,597,661)
Total accumulated depreciation	(27,231,388)	(1,586,963)	- -	(28,818,351)
Other capital assets, net	27,136,189	(299,225)	- -	26,836,964
Business-type activities capital assets, net	$ 29,721,201	$ 221,281	$ (523,438)	$ 29,419,044

Depreciation expense was charged to functions as follows:

Governmental activities		
General government	$	24,903
Public safety		122,005
Public works		101,540
Parks and recreation		74,343
Total governmental activities depreciation expense		322,791
Business-type activities		
Water and sewer		593,265
Electric		269,836
Cable TV		465,593
Garbage and trash		24,524
Airport		86,931
Telecommunications		47,649
Landfill		40,920
Gas		58,245
Total business-type activities depreciation expense		1,586,963
Total depreciation expense	$	1,909,754

Component Units

Governmental Activities:
The Authority had no governmental capital asset activity for the year ended June 30, 2012.

Business-type activities:
The Authority had no business-type capital asset activity for the year ended June 30, 2012.

NOTE G – LONG TERM DEBT

I. Revenue Bonds

Primary Government

The City issues bonds where it pledges income derived from the acquired or constructed assets to pay debt service. The City's enterprise funds' revenue bonds outstanding at June 30, 2012, are as follows:

Enterprise Fund and Description	Original Amount	Interest Rate	Due Date	Amount
Water and Sewer and Electric Funds - Combined Public Utility Revenue Refunding and Improvement Bonds, Series 2004	$ 12,800,000	2.50 – 5.00%	2024	$ 9,090,000
Cable TV Fund and Telecommunications Fund – South Georgia Governmental Services Authority, Series 2004	9,725,000	2.00 – 5.00%	2016	4,920,000
			Unamortized bond premium and refunding costs	(180,348)
			Less current portion	(1,385,000)
				$ 12,444,652

Combined Utility Revenue Bonds, Series 2004

The City of Cairo Combined Public Utility Revenue Refunding and Improvement Bonds, Series 2004 were issued December 1, 2004 in the amount of $12,800,000 to provide funds to prepay all the outstanding loans of the City obtained from the Georgia Environmental Facilities Authority in connection with water and sewerage system projects, to extinguish certain interim financing obtained by the City in connection with an electrical system project, to make extensions, additions and improvements to the water and sewerage system and to fund a reserve for payment of the bonds through the purchase of a debt service reserve credit instrument. These bonds will be repaid from the revenues and earnings derived from the City's ownership and operation of the water and sewerage system, the electric power distribution system and the natural gas distribution system.

The annual debt service requirement to maturity of the Series 2004 bonds at June 30, 2012 is as follows:

Year Ending June 30,	Principle	Interest	Total
2013	$ 605,000	$ 391,875	$ 996,875
2014	630,000	367,675	997,675
2015	650,000	344,838	994,838
2016	675,000	320,463	995,463
2017	700,000	293,463	993,463
2018-2022	3,980,000	992,452	4,972,452
2023-2024	1,850,000	140,000	1,990,000
	$ 9,090,000	$ 2,850,766	$ 11,940,766

South Georgia Governmental Services Authority Revenue Bonds, Series 2004

The Series 2004 bonds were issued on April 1, 2004 and were issued in the total amount of $35,405,000 (of which only $9,725,000 is applicable to the City of Cairo). The bonds were issued for the purpose of providing funds 1) to the City of Cairo, the City of Camilla, the City of Moultrie and the City of Thomasville to pay, on behalf of each of the Cities, certain intergovernmental contract obligations and bonds outstanding incurred to acquire, construct, and equip cable television and telecommunications systems for said Cities, 2) to the City of Cairo, the City of Camilla, the City of Thomasville for the acquisition, construction, and equipping of additional equipment and facilities to be used in connection with the cable television and communications systems for said Cities, 3) to fund a reserve for payment of the Bonds, and 4) to pay the necessary costs of issuing the Bonds. The Series 2004 bonds are limited obligations of the South Georgia Governmental Services Authority (the Authority) and are payable solely from and secured by the Trust Estate which includes rentals, revenues, earnings and funds of the Authority arising from the individual City projects as provided in the leases between the Authority and each of the Cities. The City of Cairo's obligation to make lease payments under the lease contract sufficient to pay the principal of, premium, if any, and interest on the 2004 Series bonds is absolute and unconditional and will not expire so long as any of the Series 2004 bonds remain outstanding and unpaid. Under the lease contract, the City has agreed to levy ad valorem property taxes, subject to millage limits prescribed by law, on all property in the City subject to such tax as may be necessary to make the payments required by the lease contract.

The issuance of the Series 2004 bonds effectively paid off, via an advance refunding, the City's outstanding City of Cairo Development Authority Revenue Bonds, Series 2000 and 2002 in the amount of $7.6 million. The Series 2000 have been called and retired as of January 2010. The defeased Series 2002 bonds were paid in full as of June 30, 2012.

The annual debt service requirement to maturity of the Revenue Bonds at June 30, 2012 is as follows:

Year Ending June 30,	Principle	Interest	Total
2013	$ 780,000	$ 212,138	$ 992,138
2014	810,000	186,788	996,788
2015	840,000	152,850	992,850
2016	870,000	124,500	994,500
2017	1,620,000	81,000	1,701,000
	$ 4,920,000	$ 757,276	$ 5,677,276

Component Unit

The City of Cairo Development Authority's revenue bonds outstanding at June 30, 2012 are as follows:

	Original Amount	Interest Rate	Due Date	Amount
City of Cairo Development Authority – Series 1999	$ 2,460,000	5.25-6.75%	2020	$ 1,350,000
				1,350,000
			Less current portion	(135,000)
				$ 1,215,000

City of Cairo Development Authority Taxable Revenue Bonds, Series 1999

The City of Cairo Development Authority (Authority) Series 1999 bonds were issued in April of 1999 in the amount of $2,460,000 to provide funds to finance the construction of the new post office building. The Authority and the City of Cairo entered into an intergovernmental contract as of April 1, 1999. This contract provides for the Authority to appoint the City of Cairo as its agent and authorizes the City of Cairo to complete the acquisition, construction and equipping of the Project. The U.S. Postal Service has entered into a lease agreement with the Authority effective April 26, 1999. The Authority will use the funds from the lease agreement to service its revenue bond indebtedness. The term of the lease is from April 12, 2000 until April 11, 2020. The annual lease payment is $223,769. At the end of the lease term the U.S. Postal Service has the option to purchase the building for $1.00. Bond issuance costs of $64,177 and original issue discount of $29,195 are being amortized over the life of the bonds.

City of Cairo Development Authority Taxable Revenue Bonds, Series 2002

The City of Cairo Development Authority (Authority) Series 2002 bonds were issued on July 1, 2002 in the amount of $1,065,000 to provide funds for the acquisition, construction, and equipping of a cable television and telecommunications system to be leased by the Authority to the City of Cairo. On January 1, 2000, the Authority and the City of Cairo entered into a lease contract whereby the Authority will lease to the City of Cairo the cable television and communications system. The lease contract appoints the City of Cairo as the agent for the Authority to contract for and complete the acquisition, construction and equipping of the project. The term of the lease begins with the issuance and delivery by the Authority of the bonds and shall continue in full force and effect until all bonds which shall have been issued and are outstanding and the interest thereon have been paid or provision for the payment thereof shall have been made but in no event shall the term exceed thirty years. The amount of the lease payment will be the amount necessary to provided sufficient funds for the payment of all principle and interest coming due on the bonds.

In January of 2012 the Series 2002 bonds were called and were retired with $490,000 from funds held in escrow for the City.

The annual debt service requirement to maturity of the Series 1999 bonds at June 30, 2012 is as follows:

Year Ending June 30,	Principle	Interest	Total
2013	$ 135,000	$ 90,782	$ 225,782
2014	140,000	81,838	221,838
2015	150,000	72,562	222,562
2016	160,000	62,438	222,438
2017	175,000	51,638	226,638
2018-2020	590,000	81,340	671,340
	$ 1,350,000	$ 440,598	$ 1,790,598

II. Closure and Post Closure Care Liability

State and Federal laws and regulations require the City to place a final cover on its landfill site when it discontinues accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although, closure and post-closure care costs will be paid only near or after the date that the landfill discontinues accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period, based on landfill capacity used as of each balance sheet date. The $3,703,971 reported as landfill closure and post closure care liability, as of June 30, 2012, represents the cumulative amount reported, based on a calculation using the utilized capacity percentage of the landfill. The City will recognize the remaining estimated cost of closure and post closure care of $908,695, as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2012. The total landfill capacity used, as of June 30, 2012, is 80.3%. The City estimates the remaining useful life of the landfill, as eight years. The City has restricted assets for the payment of future closure and post closure costs. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The financial assurance requirements are being met through the proper maintenance of cash balances and financial ratios.

III. Capital Leases

The City has entered into various other lease agreements as lessee for financing the acquisition of vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present values of the future minimum lease payments as of the date of their inceptions.

The following is an analysis of equipment leased under capital leases as of June 30, 2012:

	Governmental Activities
Machinery and equipment	$ 544,390
Less accumulated depreciation	(183,100)
Carrying value	$ 361,290

The following is a schedule of future minimum lease payments together with the present value of the net minimum lease payments at June 30, 2012:

Year Ending June 30,	Governmental Activities	Totals
2013	$ 52,925	$ 52,925
2014	46,853	46,853
2015	46,853	46,853
2016	46,853	46,853
2017	46,853	46,853
2018-2019	70,280	70,280
Total minimum lease payments	310,617	310,617
Less amount representing interest	(31,156)	(31,156)
Present value of future minimum lease payments	$ 279,461	$ 279,461

IV. Notes Payable

The City has issued long-term debt payable to a financial institution for the acquisition and construction of real estate. The debt is payable in monthly installments of $4,751 through May 2022. Interest on the debt is 2.6%.

The annual debt service requirement to maturity of the long-term debt at June 30, 2012 is as follows:

Year Ending June 30,	Principle	Interest	Total
2013	$ 44,361	$ 12,651	$ 57,012
2014	45,545	11,467	57,012
2015	46,760	10,252	57,012
2016	47,984	9,028	57,012
2017	49,288	7,724	57,012
2018-2020	266,062	18,186	284,248
	$ 500,000	$ 69,308	$ 569,308

V. Changes in Long-Term Liabilities

Primary Government

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Due Within One Year
Governmental activities:					
Capital Leases	$ 403,592	$ - -	$ (92,975)	$ 310,617	$ 52,925
Long term debt	- -	500,000	- -	500,000	40,785
Compensated absences	125,728	8,244	- -	133,972	- -
Governmental activities long-term liabilities	$ 529,320	$ 508,244	$ (92,975)	$ 944,589	$ 93,710
Business-type activities:					
Revenue bonds	$ 15,350,000	$ - -	$ (1,340,000)	$ 14,010,000	$ 1,385,000
Plus deferred amounts:					
Unamortized bond premium	79,865	- -	(4,282)	75,583	- -
Less deferred amounts:					
Deferred leasing costs	(204,991)	- -	100,226	(104,765)	- -
Total bonds payable	15,224,874	- -	(1,244,058)	13,980,818	1,385,000
Capital leases	- -	- -	- -	- -	- -
Compensated absences	93,909	3,195	- -	97,104	- -
Closure and post closure care liability	1,909,577	1,794,394	- -	3,703,971	- -
Business–type activities long-term liabilities	$ 17,228,360	$ 1,797,589	$ (1,244,058)	$ 17,781,893	$ 1,385,000

Component Unit

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Due Within One Year
Business-type activities:					
Revenue bonds	$ 1,965,000	$ - -	$ (615,000)	$ 1,350,000	$ 135,000
Business–type activities long-term liabilities	$ 1,965,000	$ - -	$ (615,000)	$ 1,350,000	$ 135,000

NOTE H – RESERVATIONS OF FUND BALANCES

In the governmental fund financial statements, fund balances consist of restricted and unassigned amounts. Restrictions of fund balances represent that portion which is not appropriable for expenditure or is legally segregated for a specific future use. The remaining portion is unassigned.

In the proprietary fund financial statements, fund balances consist of restricted and unrestricted amounts. Restrictions of fund balances represent that portion which is not appropriable for expenditure or is legally segregated for a specific future use. The remaining portion is unrestricted.

Fund balance restrictions at June 30, 2012 include:

Special Revenue Funds	
Reserved for restricted purposes to reflect resources legally restricted for specific purposes	$ 1,760,792
Capital Projects Funds	
Reserved for specific projects to reflect resources funded by Special Purpose Local Option Sales Tax and Federal grants	$ 899,813
Permanent Fund	
Reserved for restricted purposes to reflect resources legally restricted for specific purposes	$ 11,345

NOTE I – PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Cairo Retirement Plan (CCRP), provides retirement and disability benefits, and death benefits to plan members and beneficiaries. CCRP is affiliated with the Georgia Municipal Employees' Benefit System; an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Constitution of the State of Georgia enables the governing authority of the City, the City Council, to establish and amend the benefit provisions of the plans that participate in CCRP. The Georgia Municipal Employees' Benefit System issues a publicly available financial report that includes financial statements and required supplementary information for CCRP. That report may be obtained by writing to the Georgia Municipal Employees' Benefit System, 201 Pryor Street, Southwest, Atlanta, Georgia 30303.

All full-time City employees are eligible to participate in the Plan after completing one year of service. Benefits vest after ten years of service. Participants become eligible to retire at age 65 with 5 years of participation in the Plan.

Funding Policy

The City is required to contribute at an actuarially determined rate in accordance with Section 47-20 of the Georgia Code, which sets forth the minimum funding standards for state and local government pension plans. Plan participants are not required to contribute to the Plan. The Constitution of the State of Georgia enables the governing authority of the City, the City Council, to establish and amend the contribution rates for the City and its plan participants.

Annual Pension Cost

For the year ended June 30, 2012, the City's annual pension cost of $656,996 for CCRP was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2012, actuarial valuation using the "Projected Unit Credit" actuarial cost method. The actuarial assumptions used in the valuation include: (a) an 8.0% investment rate of return, compounded annually, (b) projected salary increases of 3.5% annually, and (c) no annual cost-of-living adjustments. The actuarial value of CCRP assets was determined based on the asset's market value. The unfunded actuarial accrued liability of the CCRP is being amortized as a closed level dollar amount for the remaining unfunded liability.

Three – Year Trend Information for CCRP

Year Ended, June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	625,970	100%	--
2011	610,307	100%	--
2012	656,996	100%	--

Schedule of Funding Progress for CCRP

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a) / c)
1/1/2010	5,712,798	8,259,995	2,547,197	69.16%	4,327,569	58.86%
1/1/2011	6,289,877	8,689,262	2,399,385	72.39%	4,215,076	56.92%
1/1/2012	6,761,678	9,281,670	2,519,992	72.85%	4,887,883	51.56%

Actuarial Valuation Information

Current Valuation Date	January 1, 2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Net effective period of 10 years
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Projected Salary Increases	3.50%
Expected Annual Inflation	0%

NOTE J – JOINT VENTURES

Southwest Georgia Regional Development Center

Under Georgia law, the City, in conjunction with other cities and counties in the eight county southwest Georgia area, is a member of the Southwest Georgia Regional Development Center (RDC) and is required to pay annual dues thereto. During the year ended June 30, 2012, the City paid $10,559 in such dues.

Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA), Section 50-8-34, which provides for the organizational structure of the RDC in Georgia. The RDC 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 a RDC. Separate financial statements may be obtained from:

Southwest Georgia Regional Development Center
P.O. Box 346
Camilla, Georgia 31730

South Georgia Governmental Services Authority

The City of Cairo, in conjunction with the Cities of Camilla, Moultrie and Thomasville, whom provide distribution of broadband cable television and internet services under the trade name "CNS", created the South Georgia Governmental Services Authority (SGGSA). The SGGSA was created and activated under the provisions of the Development Authority Law of the State of Georgia (O.C.G.A. 36-62-1) for the purpose of providing governmental, proprietary and administrative services and facilities to the Cities of Cairo, Camilla, Moultrie, and Thomasville and other subdivisions, agencies and authorities within its area of operation. Each member city has contracted with the SGGSA to provide management and marketing services for its individually owned broadband communications system. Pursuant to the agreement, the SGGSA procures certain goods and services on behalf of the member cities when cost effective. The SGGSA is reimbursed by each member city for any expense incurred on its behalf. The member cities provide funding on an annual basis to the SGGSA in the form of dues and contributed capital. The City paid the SGGSA $37,141 in such dues for the year ended June 30, 2012. The City of Cairo's investment in the SGGSA is accounted for on the equity method and is recorded in the Cable TV enterprise fund. The investment had a carrying value of $603,118 at June 30, 2012 and a gain from the joint venture of $450 during the year. The SGGSA board is made up of eight members, two appointed by each participating city for one year terms. Separate financial statements may be obtained from:

South Georgia Governmental Services Authority
P.O. Box 1676
Thomasville, Georgia 31799

City of Cairo Sanitary Landfill

On February 10, 1992, the City of Cairo, Georgia entered into an agreement with Grady County, Georgia and the City of Whigham, Georgia, to deposit solid waste collected in the sanitary landfill operated by Cairo, Georgia. The agreement provides that each party will equitably share in the cost of the operation of the landfill. The agreement also provides that the City of Cairo will establish a sinking fund to meet future capital needs or expenditures that may be required to comply with local, state, or federal laws (i.e., ground water monitoring costs and other post-closure costs). Should the City of Cairo incur any unexpected costs or additional requirements associated with post-closure costs in excess of the sinking / reserve funds retained, each party will make a contribution toward the additional costs in the percentage that shall equal the percentage of the total waste deposited at the landfill by the parties over the term of this agreement. The City of Whigham and Grady County shall not be required to make contributions toward additional costs that are due solely to the negligent act or intentional wrongful act of the City of Cairo in the administration of the landfill.

Each year, the City of Cairo provides to the City of Whigham and Grady County information regarding the operation of the landfill during the previous year. If it is determined that the funds collected do not meet the cost of the operation of the landfill and sinking / reserve fund requirements, each party will make a contribution toward the deficit in a percentage that equals the percentage of the total waste deposited at the landfill by the parties. If it is determined that the funds collected exceed the cost of the operation of the landfill, the excess is transferred to the sinking / reserve fund and each party is given credit in an amount based upon the percentage of waste deposited at the landfill by the parties toward any future deficit.

Any excess that is accumulated over the term of the agreement is considered to be jointly owned by all parties based on the percentage of waste deposited at the landfill over the term of the agreement and will be disbursed at such time as there are no required costs to monitor the landfill.

At June 30, 2012 funds held in the landfill restricted account were $2,897,576 and the total projected costs for the closure and post-closure maintenance and monitoring of the landfill were $4,612,667. The City of Cairo has recognized a liability for the landfill closure and post-closure costs of $3,703,971 as of June 30, 2012. The landfill has an estimated remaining useful life of eight years.

Separate Financial Statements are not prepared or issued for the Landfill Joint Venture.

NOTE K – JOINTLY GOVERNED ORGANIZATION

The City of Cairo entered into an agreement with the City of Whigham and Grady County, Georgia, to establish a joint development authority. The purpose of the joint Grady County Development Authority is to facilitate economic development within Grady County, by coordinating the efforts of elected officials, the Cairo-Grady County Chamber of Commerce, private organizations and citizens, and state and local organizations and businesses located both within and outside of Grady County to foster economic growth and improve the welfare of all citizens of Grady County.

The business of the Grady County Development Authority is conducted and managed by its Board of Directors, which consists of seven members. The members are selected by the Grady County Board of Commissioners (3), the City of Cairo (3), and the City of Whigham (1), for such terms as the governing bodies shall determine.

NOTE L – RELATED ORGANIZATION

The City Council appoints Board members to the Housing Authority and the Library Board. However, the City has no further accountability for these organizations.

NOTE M – HOTEL / MOTEL LODGING TAX

The City has levied a 5% lodging tax. For the year ended June 30, 2012, $33,690 of hotel/motel tax was collected and $23,819 was disbursed.

NOTE N - RISK MANAGEMENT

The City of Cairo is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has joined together with other municipalities in the State, as part of the Georgia-Interlocal Risk Management Agency (GIRMA) Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Worker's Compensation Fund, a public entity risk pool, currently operating as common risk management and insurance programs for member local governments. GIRMA exists by authority of the Official Code of Georgia Annotated O.C.G.A. 36-85-1. GIRMA is an unincorporated nonprofit instrumentality of its member governments. GIRMA establishes and administers one or more groups of self-insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of City government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions any member of GIRMA against liability or loss.

The Georgia Municipal Association Group Self-Insurance Worker's Compensation Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings, which may, at any time, be instituted against them on account of injuries or death within the preview of the Worker's Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding compensation, therefore, although such suits, other proceedings, allegations or demands may be wholly groundless, false or fraudulent.

As part of these risk pools, the City is obligated to pay all contributions and assessments, as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible and, in accordance with any coverage descriptions issue, all incidents, which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions, and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the funds. The funds are to pay all costs taxed against members in any legal proceedings, defended by members, all interest accruing after judgment, and all expenses incurred for investigation, negotiation or defense.

The City of Cairo retains the first $1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss, up to the $1,000 deductible. The City is not aware of any claims that the City is liable, for which, were outstanding and unpaid, as of June 30, 2012.

The City of Cairo also provides health insurance coverage for its employees through the Georgia Municipal Employees Benefit System (GMEBS).

During the year ended June 30, 2012, there were no significant reductions in insurance coverage from the prior year and there have been no settlements exceeding insurance coverage for the past three years.

NOTE O – COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in a number of legal matters, which either have or could result in litigation. The City has accrued amounts related to litigation where an outcome unfavorable to the City is probable and the amount can be estimated. In the opinion of the City's management, the ultimate outcome of these proceedings will not have a material impact on the financial position of the City.

Grants from Governments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The City expects such disallowed amounts, if any, would not have a material impact on the financial position of the City.

Agreements with the Municipal Electric Authority of Georgia

The Municipal Electric Authority of Georgia (MEAG) is a public corporation and an instrumentality of the State of Georgia created to supply electricity to local government electric distribution systems. As provided by State law, MEAG establishes rates and charges so as to produce revenues sufficient to cover its costs, including debt service, but it may not operate any of its projects for profit, unless any such profits inure to the benefit of the public.

On October 1, 1975, the City of Cairo entered into a contract with MEAG and as an electric utility participant in MEAG is obligated to purchase all of its bulk power supply requirements from MEAG for a period not to exceed 50 years. The City has agreed to purchase all of its future power and energy requirements in excess of that received by the City through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by MEAG.

In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each participating City has guaranteed a portion of the unpaid debt based on its individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations. Payments to MEAG are made monthly based on KWH usage. The total payments under these contracts were $10,663,859 in 2012.

At June 30, 2012, the outstanding debt of MEAG was approximately $5.95 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $100.35 million at June 30, 2012.

On April 26, 1999, the City approved a resolution adopting the provisions of the Municipal Competitive Trust (Trust). The Trust was created by MEAG, in anticipation of future deregulation of the electric industry, which will provide customers with a choice among electric suppliers for their retail electric power supply. This is expected to include customers assigned to electrical systems of political subdivisions, which are wholesale power customers of MEAG, such as the City of Cairo. MEAG expects that after such legislation is effective, market rates for power will result, which will likely be lower for some period of time than the costs of power generated by MEAG facilities. The purpose of the Trust is to provide a means for MEAG and its wholesale customers who elect to become beneficiaries of the Trust to mitigate the change to full competition as a result of anticipated deregulation.

The Trust creates an account for the City of Cairo and within the account, creates the following subaccount, in which the City of Cairo participates:

Credit Support Operating Trust Account

This subaccount may be funded from the funds allocated to the City's account in MEAG's Rate Stabilization Reserve Fund or the City's Discretionary Reserve with MEAG, or from any other available funds. On May 3, 1999, MEAG transferred $2,379,633 to this fund from the City's account in MEAG's Rate Stabilization Reserve Fund. The balance of the account, as of June 30, 2012, is $1,996,526. The balance in the Credit Support Operating Trust Account has not been recognized as an asset of the City of Cairo as the City's right to control the funds is contingent upon future events.

Flexible Trust Account

The MEAG trust agreement also created a flexible trust account. The City had the right to withdraw these funds, but it did not elect to do so prior to the fiscal year end of June 30, 2012. The balance in the flexible trust account, as of June 30, 2012, was $6,420,494 and has been recorded as an asset of the City.

The Municipal Competitive Trust also contains a "Reserve Funded Debt Account", which had, on June 30, 2012, a balance of $5,153,649. The balance in this account is not recognized as an asset of the City of Cairo as the City's right to control the funds is contingent upon future events.

Generation Trust Account

This subaccount may be funded by contributions by the City from any of its own funds that is has available for such purposes, including funds contained within the City's Flexible Operating Trust Account. The trustee is required to pay all or any portion of such amounts contained in the City's New Generation and Capacity Funding Account as directed in writing by the City for any of the following purposes: (1) to be applied as a credit against the City's obligation share of costs in connection with Plant Vogtle Units 3 and 4; (2) to be applied as credit against the City's obligation share of any other future generation project costs created by MEAG; (3) to be applied as a credit against any capital contributions committed to by Cairo in the event that MEAG provides the City with the option of paying interest expense incurred in connections with the construction of any generation project prior to its commercial operation date; (4) to be applied as a credit against capacity charges incurred by the City in connection with power purchase agreements entered into by MEAG for the purpose of meeting the supplemental power needs of the City; and (5) as a payment to MEAG to mitigate that portion of any budgeted Bulk Power Supply cost increases incurred by the City which exceeds the City's prior year budgeted Bulk Power Supply costs by greater than 12%. The balance in the New Generation Trust Account, as of June 30, 2012, was $1,231,441 and has been recorded as an asset of the City.

Joint Consent Agreement with the Georgia Public Service Commission

On July 25, 2011, the City entered a Joint Consent Agreement (Agreement) with the Georgia Public Service Commission (Commission) regarding an accident at the City's Gas Department in September 2010. Under the terms of the agreement, the City is subject to a combined civil penalty of $4,415,000. These maximum civil penalties will be satisfied contingent upon the City coming into full compliance and maintenance of said compliance with all mandates delineated in the Agreement for a period of sixty months from August 2, 2011, the date the Agreement was adopted by the Commission

In lieu of the maximum civil penalties of $4,415,000, the City agreed to a) pay the Commission penalties of $105,000, b) dedicate an additional $50,000 for the three mandatory training classes, a mandatory major "incident" response drill and investment in a fire detection and suppression training facility in Cairo, Georgia, and c) dedicate on an ongoing basis all such funds as are necessary to bring and keep the City in full compliance with all rules and regulations and terms outlined in the Agreement.

NOTE P – PRIOR PERIOD RESTATEMENTS

The City has determined that a restatement of beginning net assets of business activities is required to reflect corrections for errors in the June 30, 2011 financial report. This restatement is as follows:

Business activities net assets, as previously reported	$	21,228,054
Adjustment needed to properly state the accrual for closure and post-closure assured costs for the City landfill		(1,520,385)
Business type activities net assets, as restated	$	19,707,669

Additionally, the City has determined that a restatement of net assets of the nonmajor enterprise funds is required to reflect corrections for errors in the June 30, 2011 financial report. This restatement is as follows:

Net asset amount, as previously reported	$	4,132,034
Adjustment needed to properly state the accrual for closure and post-closure assured costs for the City landfill		(1,520,385)
Net assets, as restated	$	2,611,649

Supplementary Information

CITY OF CAIRO, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue Funds			Capital Projects Funds			Permanent Fund	
	EIP CDBG	Hotel / Motel Tax	Holder Park Improvements	Capital Projects	SPLOST 2003	Grant Projects	Cemetery Perpetual Care	Total
ASSETS								
Cash and cash equivalents	$ -	$ 38,756	$ -	$ -	$ -	$ -	$ -	$ 38,756
Investments	-	-	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-	-	-
Property tax receivable	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Due from component unit	-	-	-	-	-	-	-	-
Due from general fund	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Restricted assets:								
Cash and cash equivalents	422,695	-	-	-	899,813	4	11,345	1,333,857
Investments	-	-	-	-	-	-	-	-
Sales tax receivable	-	-	-	-	-	-	-	-
Program receivables	1,094,170	-	-	-	-	-	-	1,094,170
Total assets	1,516,865	38,756	-	-	899,813	4	11,345	2,466,783
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	-	1,899	-	-	-	-	-	1,899
Accrued expenses	-	-	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	2,000	-	2,000
Due to other governments	-	-	-	-	-	-	-	-
Due to general fund	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Liabilities payable from restricted assets	-	-	-	-	-	-	-	-
Total liabilities	-	1,899	-	-	-	2,000	-	3,899
Fund balances								
Restricted for:								
Specific projects	1,516,865	-	-	-	899,813	-	-	2,416,678
Public services	-	36,857	-	-	-	-	11,345	48,202
Unassigned	-	-	-	-	-	(1,996)	-	(1,996)
Total fund balances (deficit)	1,516,865	36,857	-	-	899,813	(1,996)	11,345	2,462,884
Total liabilities and fund balances	$ 1,516,865	$ 38,756	$ -	$ -	$ 899,813	$ 4	$ 11,345	$ 2,466,783

See independent auditors' report.

CITY OF CAIRO, GEORGIA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	Special Revenue Funds			Capital Projects Funds			Permanent Fund	
	EIP CDBG	Hotel / Motel Tax	Holder Park Improvements	Capital Projects	SPLOST 2003	Grant Projects	Cemetery Perpetual Care	Total
REVENUES								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Local option sales taxes	-	-	-	-	-	-	-	-
Other taxes and licenses	-	33,690	-	-	-	-	-	33,690
Fines, forfeitures and fees	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Investment income	30,390	-	-	675	4,214	-	30	35,309
Intergovernmental	350,000	-	-	-	-	10,000	-	360,000
Other revenues	-	-	-	-	-	-	-	-
Total revenues	380,390	33,690	-	675	4,214	10,000	30	428,999
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-
Other costs	-	23,819		-	-	-	-	23,819
Capital outlays	21,000	-	-	-	-	10,000	-	31,000
Debt service:	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	21,000	23,819	-	-	-	10,000	-	54,819
Excess (deficiency) of revenues over expenditures	359,390	9,871	-	675	4,214	-	30	374,180
OTHER FINANCING SOURCES (USES)								
Transfers from other funds	-	2,441	0	-	-	-	-	2,441
Transfers to other funds	-		-	(114,308)	(472,068)	-	-	(586,376)
Sale of capital assets	-	-	-	-	-	-	-	-
Long - term debt issued	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	2,441	-	(114,308)	(472,068)	-	-	(583,935)
Net change in fund balances	359,390	12,312	-	(113,633)	(467,854)	-	30	(209,755)
Fund balances (deficit), beginning of year	1,157,475	24,545	-	113,633	1,367,667	(1,996)	11,315	2,672,639
Fund balances (deficit), end of year	$ 1,516,865	$ 36,857	$ -	$ -	$ 899,813	$ (1,996)	$ 11,345	$ 2,462,884

See independent auditors' report.

CITY OF CAIRO, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
EIP CDBG REVOLVING LOAN FUND
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Property taxes	$ -	$ -	$ -	$ -
Local option sales taxes	-	-	-	-
Other taxes and licenses	-	-	-	-
Fines, forfeitures and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	25,440	25,440	30,390	4,950
Intergovernmental	-	-	350,000	350,000
Other revenues	-	-	-	-
Total revenues	25,440	25,440	380,390	354,950
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Other costs	-	-	-	-
Capital outlays	25,440	25,440	21,000	4,440
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	25,440	25,440	21,000	4,440
Excess (deficiency) of revenues over expenditures	-	-	359,390	359,390
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Sale of capital assets	-	-	-	-
Long - term debt issued	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	359,390	359,390
Fund balances, beginning of year	1,157,475	1,157,475	1,157,475	-
Fund balances, end of year	$ 1,157,475	$ 1,157,475	$ 1,516,865	$ 359,390

See independent auditors' report.

CITY OF CAIRO, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HOTEL / MOTEL TAX FUND
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Property taxes	$ -	$ -	$ -	$ -
Local option sales taxes	-	-	-	-
Other taxes and licenses	32,500	32,500	33,690	1,190
Fines, forfeitures and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Intergovernmental	-	-	-	-
Other revenues	-	-	-	-
Total revenues	32,500	32,500	33,690	1,190
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Other costs	32,500	32,500	23,819	8,681
Capital outlays	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	32,500	32,500	23,819	8,681
Excess (deficiency) of revenues over expenditures	-	-	9,871	9,871
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	2,441	2,441
Transfers to other funds	-	-	-	-
Sale of capital assets	-	-	-	-
Long - term debt issued	-	-	-	-
Total other financing sources (uses)	-	-	2,441	2,441
Net change in fund balances	-	-	12,312	12,312
Fund balances, beginning of year	24,545	24,545	24,545	-
Fund balances, end of year	$ 24,545	$ 24,545	$ 36,857	$ 12,312

See independent auditors' report.

CITY OF CAIRO, GEORGIA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2012

	Business Type Activities - Enterprise Funds					
	Garbage & Trash	Airport Fund	Tele-Communications Fund	Landfill	Gas	Total
ASSETS						
Current assets						
Cash and cash equivalents	$ -	$ 10,924	$ -	$ 100	$ -	$ 11,024
Investments	-	-	-	-	-	-
Accounts receivable, net	69,857	-	352,026	27,250	56,814	505,947
Inventories	-	-	-	-	64,822	64,822
Other current assets	15,927	-	-	6,032	3,395	25,354
Total current assets	85,784	10,924	352,026	33,382	125,031	607,147
Non - current assets						
Due from general fund	13,388	-	-	5,245	7,831	26,464
Due from other funds	-	61,324	-	-	-	61,324
Due from component unit	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Investment in SGGSA	-	-	-	-	-	-
Restricted assets - cash	-	-	-	2,897,576	-	2,897,576
Capital assets:						
Land	-	63,204	-	110,467	500	174,171
Construction in progress	-	-	-	298,236	-	298,236
Other capital assets, net of accumulated depreciation	59,250	943,828	470,368	79,186	822,660	2,375,292
Total assets	158,422	1,079,280	822,394	3,424,092	956,022	6,440,210
LIABILITIES						
Current liabilities						
Accounts payable	25,152	596	16,919	27,620	76,922	147,209
Accrued expenses	12,798	-	90,412	4,828	14,498	122,536
Current portion of long - term debt	-	-	-	-	31,208	31,208
Customer deposits	-	-	-	-	-	-
Deferred revenue	-	-	22,628	-	-	22,628
Due to other governments	-	-	-	-	-	-
Due to general fund	-	-	-	-	-	-
Due to other funds	-	-	236,054	-	-	236,054
Liabilities payable from restricted assets:						
Current portion of long term debt	-	-	47,190	-	-	47,190
Total current liabilities	37,950	596	413,203	32,448	122,628	606,825
Long - term debt, net of current portion	-	-	250,470	-	-	250,470
Deferred revenue	-	-	-	-	-	-
Compensated absences	10,405	-	-	4,668	5,210	20,283
Other liabilities - environmental remediation	-	-	-	3,703,971	-	3,703,971
Total liabilities	48,355	596	663,673	3,741,087	127,838	4,581,549
NET ASSETS						
Invested in capital assets, net of related debt	59,250	1,007,032	470,368	487,889	823,160	2,847,699
Restricted for debt service	-	-	-	-	-	-
Unrestricted (deficit)	50,817	71,652	(311,647)	(804,884)	5,024	(989,038)
Total net assets	$ 110,067	$ 1,078,684	$ 158,721	$ (316,995)	$ 828,184	$ 1,858,661

See independent auditors' report.

CITY OF CAIRO, GEORGIA
COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2012

	Business Type Activities - Enterprise Funds					
	Garbage & Trash	Airport Fund	Tele-Communications Fund	Landfill	Gas	Total
OPERATING REVENUES						
Utility revenues	$ -	$ -	$ -	$ -	$ 1,158,716	$ 1,158,716
Charges for services	1,126,485	23,358	716,625	796,114	-	2,662,582
Intergovernmental	-	-	-	-	-	-
Total operating revenues	1,126,485	23,358	716,625	796,114	1,158,716	3,821,298
OPERATING EXPENSES						
Salaries and wages	282,357	-	-	139,749	220,096	642,202
Operating, administrative and maintenance	754,717	29,233	348,952	566,616	900,687	2,600,205
Depreciation	24,524	86,931	47,649	40,920	58,245	258,269
Total operating expenses	1,061,598	116,164	396,601	747,285	1,179,028	3,500,676
Operating income (loss)	64,887	(92,806)	320,024	48,829	(20,312)	320,622
NON - OPERATING						
INCOME (EXPENSES)						
Interest income	-	75	27	18,771	215	19,088
Loss from joint venture	-	-	-	-	-	-
Interest expense	-	-	(14,910)	-	(2,014)	(16,924)
Gain (loss) on disposal of capital assets	-	-	0	-	-	-
Income (loss) before contributions and transfers	64,887	(92,731)	305,141	67,600	(22,111)	322,786
Capital contributions	-	-	-	-	-	-
Transfers from other funds	613,277	456	19,187	259,315	185,184	1,077,419
Transfers to other funds	(705,858)	(12,782)	(545,058)	(621,610)	(267,885)	(2,153,193)
Change in net assets	(27,694)	(105,057)	(220,730)	(294,695)	(104,812)	(752,988)
Net assets, beginning of year, restated	137,761	1,183,741	379,451	(22,300)	932,996	2,611,649
Net assets, end of year	$ 110,067	$ 1,078,684	$ 158,721	$ (316,995)	$ 828,184	$ 1,858,661

See independent auditors' report.

CITY OF CAIRO, GEORGIA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2012

	Business Type Activities - Enterprise Funds					
	Garbage & Trash	Airport Fund	Tele-Communications Fund	Landfill	Gas	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers and users	$ 1,109,452	$ 23,358	$ 607,008	$ 770,029	$ 1,161,019	$ 3,670,866
Other operating receipts	18,923	-	-		895	19,818
Cash payments to employees	(279,915)	-	-	(138,098)	(373,182)	(791,195)
Cash payments to suppliers	(736,483)	(48,269)	(319,604)	(310,384)	(875,186)	(2,289,926)
Net cash provided (used) by operating activities	111,977	(24,911)	287,404	321,547	(86,454)	609,563
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	613,277	456	19,187	259,315	185,184	1,077,419
Transfers to other funds	(705,858)	(12,782)	(545,058)	(621,610)	(267,885)	(2,153,193)
Net change in due from general fund	(13,388)	-	-	(5,245)	(7,831)	(26,464)
Net change in due from other funds	-	19,796	236,054		-	255,850
Net change in due from component unit	-	-	-	-	-	-
Net change in due to general fund	-	-	-	-	-	-
Net change in due to other funds	-	-	-	(10,402)	-	(10,402)
Net cash provided (used) by noncapital financing activities	(105,969)	7,470	(289,817)	(377,942)	(90,532)	(856,790)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from issuance of long - term debt	-	-	-	-	31,208	31,208
Proceeds from sale of assets	-	-	-	-	-	-
Proceeds from capital contributions	-	-	-	-	-	-
Acquisition and construction of capital assets	(16,730)	-	-	-	(69,648)	(86,378)
Principal payments on long - term debt	-	-	(45,940)	-	-	(45,940)
Interest paid	-	-	(14,910)	-	(2,014)	(16,924)
Net cash provided (used) by capital and related financing activities	(16,730)	-	(60,850)	-	(40,454)	(118,034)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of investments	-	-	-	-	-	-
Purchase of investments	-	-	-	-	-	-
Loan disbursements	-	-	-	-	-	-
Interest received	-	75	27	18,770	215	19,087
Net cash provided (used) by investing activities	-	75	27	18,770	215	19,087
Net increase (decrease) in cash and cash equivalents	(10,722)	(17,366)	(63,236)	(37,625)	(217,225)	(346,174)
Cash and cash equivalents, beginning of year	10,722	28,290	63,236	2,935,301	217,225	3,254,774
Cash and cash equivalents, end of year	$ -	$ 10,924	$ -	$ 2,897,676	$ -	$ 2,908,600

See independent auditors' report.

CITY OF CAIRO, GEORGIA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2012

	Business Type Activities - Enterprise Funds					
	Garbage & Trash	Airport Fund	Tele-Communications Fund	Landfill	Gas	Total
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	$ 64,887	$ (92,806)	$ 320,024	$ 48,829	$ (20,312)	$ 320,622
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	24,524	86,931	47,649	40,920	58,245	258,269
Closure / post closure costs	-	-	-	274,009	-	274,009
Other	-	-	-	-	-	-
Changes in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	1,890	-	(109,617)	(26,085)	3,198	(130,614)
Inventories	-	-	-	-	(17,908)	(17,908)
Other current assets	3,804	-	-	1,459	2,616	7,879
Due from general fund		-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from component unit	-	-	-	-	-	-
Increase (decrease) in:						
Accounts payable	14,430	(19,036)	(12,906)	(19,236)	40,793	4,045
Accrued expenses	2,442	-	42,254	1,651	(153,086)	(106,739)
Due to general fund	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Net cash provided (used) by operating activities	$ 111,977	$ (24,911)	$ 287,404	$ 321,547	$ (86,454)	$ 609,563

See independent auditors' report.

CITY OF CAIRO, GEORGIA
STATEMENT OF CASH FLOWS
COMPONENT UNIT - CITY OF CAIRO DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2012

	City of Cairo Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	$ -
Other operating receipts	138,238
Cash payments to employees	-
Cash payments to suppliers	(2,441)
Net cash provided (used) by operating activities	135,797
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	-
Transfers to other funds	-
Net change in due from primary government	
Net change in due from other funds	-
Net change in due from component unit	-
Net change in due to general fund	18,705
Net change in due to other funds	-
Net cash provided (used) by noncapital financing activities	18,705
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	-
Principal payments - revenue bonds	(615,000)
Interest paid	(106,262)
Net cash provided (used) by capital and related financing activities	(721,262)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	499,242
Purchase of investments	-
Collections on lease	-
Interest received	86,108
Net cash provided (used) by investing activities	585,350
Net increase (decrease) in cash and cash equivalents	18,590
Cash and cash equivalents, beginning of year	93,128
Cash and cash equivalents, end of year	$ 111,718

See independent auditors' report.

CITY OF CAIRO, GEORGIA
STATEMENT OF CASH FLOWS
COMPONENT UNIT - CITY OF CAIRO DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2012

	City of Cairo Development Authority
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ (7,414)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	
Unrealized gain on investment	-
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	138,237
Inventories	-
Other current assets	4,099
Due from other funds	4,325
Due from component unit	-
Increase (decrease) in:	
Accounts payable	
Accrued expenses	(3,450)
Due to general fund	
Due to other funds	-
Net cash provided (used) by operating activities	$ 135,797

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Compliance Section

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
202 Love Avenue
Tifton, GA 31794
P.O. Box 7650
Tifton, GA 31793

(229) 382-8576
(229) 238-0643 (fax)
www.cricpa.com

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Cairo, Georgia, as of and for the year ended June 30, 2012, which collectively comprise City of Cairo, Georgia's basic financial statements and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. We consider items 2012-1, 2012-2 and 2012-3 to be material weaknesses.

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.

Compliance and Other Matters

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

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

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

Carr, Riggs & Ingram, L.L.C.

Tifton, Georgia
December 21, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

Findings noted on the 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.*

2012-1

Criteria:

Duties should be segregated between employees so that the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different personnel.

Condition:

The City of Cairo, Georgia is a small local government and has a limited amount of resources and employees. Therefore, The City does not have an adequate number of employees to provide for the proper segregation of duties.

Cause of Condition:

Since the City is a small local government, it is not financially feasible for the City to hire additional employees to provide for an adequate segregation of duties.

Effect of Condition:

The City's internal control structure does not contain adequate safeguarding controls provided by segregation of duties that would provide for the prevention or timely detection of unauthorized transactions and unauthorized access to assets that could result in losses that are material to the financial statements.

Response of Management:

Management concurs with the finding and is continually working to improve controls to mitigate the risks associated with this condition.

2012-2

Criteria:

Policies, procedures and monitoring controls should be in place to provide for the recording of salaries payable and accrued expenses.

Condition:

The City's policies and procedures for recording and monitoring salaries payable and accrued expenses did not prevent an understatement in the funds.

Cause of Condition:

The City's monitoring controls were not implemented.

Effect of Condition:

Salaries payable and accrued expenses were understated in the funds.

Response of Management:

Management concurs with this finding and is developing additional policies and procedures and monitoring activities over salaries payable and accrued expenses.

2012-3

Criteria:

Policies, procedures and monitoring controls should be in place to provide for the reconciliation of physical intentory counts and costs.

Condition:

The City's policies and procedures for reconciliation of physical intentory counts and costs did not prevent an understatement in the funds.

Cause of Condition:

The City's monitoring controls were not implemented.

Effect of Condition:

Inventories were understated in the funds.

Response of Management:

Management concurs with this finding and is developing additional policies and procedures and monitoring activities over inventory reconciliation.

See independent auditors' report.

CITY OF CAIRO, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL
OPTION SALES TAX EXPENDITURES
For the Year Ended June 30, 2012

	Original Estimated Cost	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
Special Purpose Local Option Sales Tax - 2003					
Water treatment plant	$ 3,510,000	$ 3,423,008	$ 472,068	$ 3,895,076	100%
Industrial development	200,000	-	-	-	0%
Road improvements	40,000	-	-	-	0%
Total	$ 3,750,000	$ 3,423,008	$ 472,068	$ 3,895,076	
Special Purpose Local Option Sales Tax - 2007					
City of Cairo	4,272,450	887,232	1,904,393	2,791,625	65%
Total	$ 4,272,450	$ 887,232	$ 1,904,393	$ 2,791,625	

See independent auditors' report.