CITY OF CAVE SPRING, GEORGIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CITY OF CAVE SPRING, GEORGIA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Cave Spring, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Cave Spring, Georgia, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Cave Spring, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cave Spring, Georgia, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, as well as the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 30, 2011, on our consideration of the City of Cave Spring, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages three through ten 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.

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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 Cave Spring, Georgia's financial statements as a whole. The combining and individual major and non-major fund financial statements and the accompanying schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual major and non-major fund financial statements and the schedules of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Finney & Associates CPAs, P.C

Rome, Georgia
November 30, 2011

CITY OF CAVE SPRING, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011
(Unaudited)

Our discussion and analysis of the City of Cave Spring's financial performance provides an overview of the City's financial activities for the year ended June 30, 2011. Please read it in conjunction with the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

1. The City completed its major renovations to its water infrastructure. This was financed by a note payable, federal grant, and a special purpose local option sales tax. Equipment acquired during the year amounted to approximately $41,000 which was financed through a long term loan. Water revenue increased by $ 159,000 primarily through charges to customers and a major contract for water to be provided to another entity. Expenses increased by $ 61,000. A capital grant long term note payable to the federal government was initiated in the amount of $4,434,000 for the capital improvements to the water system. An extension to the water system was made for a State of Georgia Agency. At completion the City will be reimbursted for the cost plus 3% of the monthly unpaid balance.

2. The City's general fund experienced an overall increase in revenue of $3,000. Expenditures increased $13,000 primarily as a result of an increase in streets and maintenance expenditures. There were no capital expenditures in 2011.

3. The Child Care Center revenues decreased by $2,000 due primarily to a decrease in revenues from Georgia payment for services. Expenses decreased by $8,000. Net Assets decreased by $9,000. There were no capital expenditures in 2011.

4. The City's Downtown Development Authority was in operation for all of 2011. In 2011 revenue of $27,000 collected and expenditures of $17,436 paid by the DDA are included as a component unit. The DDA purchased real estate in the amount of $62,000 with $51,000 being financed as long term debt.

5. A special purpose one-cent sales tax project initiated in 2006 has been completed. Proceeds were used for improvements to the fire department and a senior community center. A 2010 SPLOST project in the amount of $350,000 was started and completed in 2010 for use in the water project.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13-15) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 5. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" 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 this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets--the difference between assets and liabilities--as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's business licenses and taxes and the condition of the City's streets and roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

> **Governmental activities** - Most of the City's basic services are reported here, including the police, fire, general administration, streets, and library. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
>
> **Business-type activities** - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer and child care funds are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 7. The fund financial statements begin on page 16 and provide detailed information about the most significant funds -- not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like special revenue) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the Georgia Department of Community Affairs). The City's two kinds of funds -- governmental and proprietary -- use different accounting approaches.

> **Governmental Funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view of

Fund Financial Statements - Continued

Governmental Funds – Continued

the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following the fund financial statements.

Proprietary Funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

The City as a Whole

For the years ended June 30, 2011 and 2010, net assets and changes in net assets were as follows:

Table 1

Net Assets

	2011			2010		
	Govern-mental Activities	Business-Type Activities	Total	Govern-mental Activities	Business-Type Activities	Total
Current and Other Assets	$ 736,486	$ 1,014,244	$ 1,750,730	$ 762,322	$ 1,258,218	$ 2,020,540
Capital Assets	2,778,328	11,553,290	14,331,618	2,863,843	9,698,174	12,562,017
Total Assets	$ 3,514,814	$ 12,567,534	$ 16,082,348	$ 3,626,165	$ 10,956,392	$ 14,582,557
Long-term Debt Outstanding	$ 12,869	$ 6,042,357	$ 6,055,226	$ 25,221	$ 4,582,917	$ 4,608,138
Other Liabilities	(5,356)	238,784	233,428	39,063	211,520	250,583
Total liabilities	$ 7,513	$ 6,281,141	$ 6,288,654	$ 64,284	$ 4,794,437	$ 4,858,721
Net Assets:						
Invested in Capital Assets, Net of Debt	$ 2,765,459	$ 5,551,333	$ 8,316,792	$ 2,838,622	$ 5,701,441	$ 8,540,063
Restricted	0	187,761	187,761	0	218,533	218,533
Unrestricted	741,842	547,299	1,289,141	723,259	241,981	965,240
Total Net Assets	$ 3,507,301	$ 6,286,393	$ 9,793,694	$ 3,561,881	$ 6,161,955	$ 9,723,836

The major infrastructures (roads, streets, and bridges) that the City owns or is responsible for maintaining have not been included in the capital assets or net assets of the City. These will be evaluated each year and recorded in compliance with GASB 34.

The City as a Whole – Continued

Table 2
Changes in Net Assets

	2011			2010		
	Govern-mental Activities	Business-Type Activities	Total	Govern-mental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	$ 196,555	$ 1,148,936	$ 1,345,491	$ 192,234	$ 982,225	$ 1,174,459
Operating and Capital Grants	87,837	72,370	160,207	434,022	2,973,874	3,407,896
General Revenues:						
Sales Tax	267,654	0	267,654	271,831	0	271,831
Franchise and Other Taxes	173,580	0	173,580	168,647	0	168,647
Other Revenues	2,456	1,821	4,277	14,984	5,804	20,788
Total Revenues	$ 728,082	$ 1,223,127	$ 1,951,209	$ 1,081,718	$ 3,961,903	$ 5,043,621
Program Expenditures:						
General Government	$ 136,153	$ 0	$ 136,153	$ 145,102	$ 0	$ 145,102
Public Safety	409,489	0	409,489	393,733	0	393,733
Streets and Maintenance	152,076	0	152,076	124,447	0	124,447
Culture and Recreation	71,626	0	71,626	59,423	0	59,423
Water and Sewer	0	890,158	890,158	0	765,174	765,174
Day Care Center	0	221,849	221,849	0	229,093	229,093
Total Program Expenditures	$ 769,344	$ 1,112,007	$ 1,881,351	$ 722,705	$ 994,267	$ 1,716,972
Excess (deficiency) before Special and Extraordinary Items and Transfers	$ (41,262)	$ 111,120	$ 69,858	$ 359,013	$ 2,967,636	$ 3,326,649
Transfers in (out)	(13,318)	13,318	0	(352,693)	352,693	0
Increase (Decrease) in Net Assets	$ (54,580)	$ 124,438	$ 69,858	$ 6,320	$ 3,320,329	$ 3,326,649
Net Assets - Beginning	3,561,881	6,161,955	9,723,836	3,555,561	2,841,626	6,397,187
Net Assets - Ending	$ 3,507,301	$ 6,286,393	$ 9,793,694	$ 3,561,881	$ 6,161,955	$ 9,723,836

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

Governmental Activities - Continued

Some of the individual line item revenues reported for each function are:

Table 3
Governmental Activities

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government and Other	$ 207,779	$ (180,211)	$ 204,525	$ 188,524
Police Department	238,221	(204,479)	230,846	(206,701)
Fire Department	171,268	(25,259)	162,887	(21,772)
Streets and Maintenance	152,076	(75,003)	124,447	(56,500)
Total	$ 769,344	$ (484,952)	$ 722,705	$ (96,449)

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose, except SPLOST or project funds.

Business-type Activities

Revenues of the City's business-type activities (see Table 2) increased by $159,000 and expenses before depreciation increased by $61,000. Major causes of these changes were as follows:

Table 4
Business-Type Activities

	Increase(Decrease)					
	2011			2010		
	Water & Sewer	Child Care	Net	Water & Sewer	Child Care	Net
Revenue:						
Operating	$ 159,487	$ 3,241	$ 162,728	$ 73,290	$ (34,092)	$ 39,198
Contributions and Grants	(2,895,878)	(5,626)	(2,901,504)	2,895,878	(2,495)	2,893,383
Net	$ (2,736,391)	$ (2,385)	$ (2,738,776)	$ 2,969,168	$ (36,587)	$ 2,932,581
Expenses:						
Operating - Less Depreciation	$ 61,485	$ (6,550)	$ 54,935	$ 7,974	$ (34,038)	$ (26,064)
Depreciation	63,500	(694)	62,806	(1,253)	0	(1,253)
Net	$ 124,985	$ (7,244)	$ 117,741	$ 6,721	$ (34,038)	$ (27,317)

Business Activities - continued

A summary of activities follows in Table 5.

Table 5
Summary of Revenue and Expenses
Business-type Activities

	Water and Sewer		Child Care	
	2011	2010	2011	2010
Revenues:				
Charges and Fees	$ 1,010,999	$ 852,972	$ 124,753	$ 121,512
Other Revenues and Grants	15,005	2,909,423	72,370	77,996
Total Revenues	$ 1,026,004	$ 3,762,395	$ 197,123	$ 199,508
Expenses:				
Operating Expenses Excluding Depreciation	$ 560,199	$ 537,763	$ 207,366	$ 213,916
Depreciation	216,503	153,003	14,483	15,177
Interest Expense	113,456	74,407	0	0
Total Expenses	$ 890,158	$ 765,173	$ 221,849	$ 229,093
Income (Loss) before Transfer	$ 135,846	$ 2,997,222	$ (24,726)	$ (29,585)
Transfer -In	(1,682)	352,692	15,000	0
Change in Net Assets	$ 134,164	$ 3,349,914	$ (9,726)	$ (29,585)

The City's Funds

As the City completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of $736,000 which is slightly above last year's total of $718,000.

The City receives payments from the County government as reimbursement for operations of the fire department. The amount received in 2011 and 2010 was $80,000 and $78,000, respectively.

General Fund Budgetary Highlights

The City Council revised the City budget by approving several increases and decreases in departmental line items to prevent budget overruns.

The actual charges (expenditures) were $38,000 under the final budget amounts. The most significant variances occurred in the City's General Government $12,000 and Street and Maintenance $13,000 under budget.

Resources available for expenses were $23,000 under the final budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011 the City had $14.3 million invested in a broad range of capital assets, including police and fire equipment, buildings, and water and sewer lines. (See Table 6 below). This amount does not include infrastructure of the governmental activities. See note 3 for additional information.

Table 6
Capital Assets at Year-End
(Net of Depreciation)

	2011			2010		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Land	$ 184,190	$ 18,000	$ 202,190	$ 184,190	$ 0	$ 184,190
Buildings and Improvements	2,243,679	397,078	2,640,757	2,299,294	411,009	2,710,303
Equipment	350,459	119,586	470,045	380,359	95,251	475,610
Infrastructure	0	10,921,405	10,921,405	0	3,640,742	3,640,742
Construction in Progress	0	97,221	97,221	0	5,551,172	5,551,172
Totals	$ 2,778,328	$ 11,553,290	$ 14,331,618	$ 2,863,843	$ 9,698,174	$ 12,562,017

Debt

At year-end, the City had $6.1 million in bonds and notes outstanding versus $4.6 million last year as shown in Table 7. See notes 4 and 5 for additional information.

Table 7
Outstanding Debt at Year-end

	2011			2010		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Revenue bonds secured by revenues of the water and sewer system	$ 0	$ 959,547	$ 959,547	$ 0	$ 1,032,615	$ 1,032,615
Note payable to GEFA secured by infracture of the system	0	5,035,002	5,035,002	0	661,575	661,575
Accounts and notes payable applicable to projects secured by infracture	0	0	0	0	2,874,577	2,874,577
Leases payable for equipment secured by equipment	12,869	47,808	60,677	25,221	14,150	39,371
Total	$ 12,869	$ 6,042,357	$ 6,055,226	$ 25,221	$ 4,582,917	$ 4,608,138

Economic Factors and Next Year's Budgets and Rates

The City of Cave Spring is a small rural town. The population has remained constant with very little or no growth. The City has historical significance to the area as well as the state. Most employed residents work outside the City in various County businesses.

Although the sewer project that was mandated by federal and state EPA authorities has been completed, there continues to be needed improvements to the water system. The City does have an abundance of water through its spring. The City has contracted to sell water to a nearby governmental entity.

The City approved a one cent special purpose local option sales tax on November 7, 2006 with collections beginning April 1, 2007 and continuing for thirteen (13) quarters. The proceeds were used for fire station facilities and equipment ($1,200,000) and restoration to the Senior and Community Center facility ($850,000). These contracts were completed during the year. The potential advances in excess of actual tax collected and remitted to the city from the county exist. Any excess would have to be agreed upon by the city and the county.

A new special purpose local option sales tax project was approved in 2010 in the amount of $350,000. This project involved improvements and restoration to the City's water system. Preliminary expenditures were incurred in the year ended June 30, 2009. A major portion of the project was expended as of June 30, 2010 and it was completed in the year ending June 30, 2011. The cost of the project was approximately $8,000,000. It is being funded by a federal grant ($2.9 million), a federal loan ($4.3 million), and the balance with SPLOST funds ($350,000) and local money. The loan will be repaid through revenues generated by the water system. The City was required to increase its rates to customers in order for the project to be approved. The initial increase was made in May 2010. The budgeted revenues will be greater due to the required payment to GEFA of approximately $295,000 annually.

The City started a Downtown Development Authority in 2007. The City will contribute financially to the Authority as needed for its operating expenses. The DDA activity not paid from General Fund resources are shown as a component unit of the City.

Other than the above, projected budgets will remain about the same.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 10 Georgia Avenue, Cave Spring, Georgia.

Robert Ware, Mayor
City of Cave Spring, Georgia

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

Government-wide Financial Statements:

Government-wide Statement of Net Assets

Government-wide Statement of Activities

Fund Financial Statements:

Governmental Funds

Proprietary (Enterprise) Funds

CITY OF CAVE SPRING, GEORGIA
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and Cash Investments	$ 792,260	$ 220,713	$ 1,012,973	$ 3,341
Receivables (net of allowance for doubtful accounts):				
Taxes	46,289	0	46,289	0
Accounts	42,346	164,764	207,110	0
Other	13,720	0	13,720	0
Internal Balances	(170,223)	170,223	0	0
Due from Other Governments	0	1,759	1,759	0
Prepaid Items	12,094	6,748	18,842	0
Restricted Assets:			0	0
Cash and Cash Investments	0	288,326	288,326	0
Deferred Charges	0	161,711	161,711	0
Capital Assets:				
Buildings	$ 3,181,544	$ 541,112	$ 3,722,656	$ 62,406
Equipment	735,604	371,840	1,107,444	0
Improvements	35,310	0	35,310	0
Infrastructive	0	12,468,668	12,468,668	0
Accumulated Depreciation	(1,358,320)	(1,943,551)	(3,301,871)	0
Net of Depreciation	$ 2,594,138	$ 11,438,069	$ 14,032,207	$ 62,406
Construction in Process	$ 0	$ 97,221	$ 97,221	$ 0
Land	184,190	18,000	202,190	0
Total Assets	$ 3,514,814	$ 12,567,534	$ 16,082,348	$ 65,747
Liabilities				
Accounts Payable	$ 24,238	$ 114,428	$ 138,666	$ 0
Accrued Expenses	5,471	20,977	26,448	0
Due to Other Governments	8,149	0	8,149	0
Internal Balances	(43,214)	43,214	0	0
Payable from Restricted Assets:				0
Accounts Payable - Construction in Process	0	0	0	
Deposits	0	52,353	52,353	0
Current Portion of Long-term Debt	0	75,000	75,000	0
Accrued Interest	0	7,812	7,812	0
Non-Current Liabilities:				0
Due Within One Year	3,684	226,478	230,162	5,000
Due In More Than One Year	9,185	5,740,879	5,750,064	46,000
Total Liabilities	$ 7,513	$ 6,281,141	$ 6,288,654	$ 51,000
Net Assets				
Invested in Capital Assets, Net of Related Debt	$ 2,765,459	$ 5,551,333	$ 8,316,792	$ 11,406
Restricted for:				
Debt Service	0	187,761	187,761	0
Other	0	0	0	0
Unrestricted	741,842	547,299	1,289,141	3,341
Total Net Assets	$ 3,507,301	$ 6,286,393	$ 9,793,694	$ 14,747

See accompanying notes to the basic financial statements.

CITY OF CAVE SPRING, GEORGIA
GOVERNMENT - WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues: Fees, Fines & Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 136,153	$ 19,780	$ 0	$ 0
Public Safety	408,903	99,751	80,000	0
Streets and Maintenance	152,076	69,236	7,837	0
Culture and Recreation	71,626	7,788	0	0
Interest on Long-term Debt	586	0	0	0
Total Governmental Activities	$ 769,344	$ 196,555	$ 87,837	$ 0
Business-type Activities:				
Water and Sewer	$ 890,158	$ 1,024,183	$ 0	$ 0
Day Care Center	221,849	124,753	72,370	0
Total Business-type Activities	$ 1,112,007	$ 1,148,936	$ 72,370	$ 0
Total Primary Government	$ 1,881,351	$ 1,345,491	$ 160,207	$ 0
Component Unit:				
Culture and Recreation	$ 17,436	$ 27,514	$ 0	$ 0

General Revenues:
Taxes:
Sales Taxes - General
Other Taxes
Franchise Taxes
Unrestricted Investment Earnings
Miscellaneous
Total General Revenues
Transfers
Total General Revenues, Special items and Transfers
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	Component Unit
$ (116,373)	$ 0	$ (116,373)	
(229,152)	0	(229,152)	
(75,003)	0	(75,003)	
(63,838)	0	(63,838)	
(586)	0	(586)	
$ (484,952)	$ 0	$ (484,952)	
$ 0	$ 134,025	$ 134,025	
0	(24,726)	(24,726)	
$ 0	$ 109,299	$ 109,299	
$ (484,952)	$ 109,299	$ (375,653)	
			$ 10,078
$ 267,654	$ 0	$ 267,654	$ 0
31,909	0	31,909	0
141,671	0	141,671	0
1,391	1,821	3,212	0
1,065	0	1,065	0
$ 443,690	$ 1,821	$ 445,511	$ 0
(13,318)	13,318	0	0
$ 430,372	$ 15,139	$ 445,511	$ 0
$ (54,580)	$ 124,438	$ 69,858	$ 10,078
3,561,881	6,161,955	9,723,836	4,669
$ 3,507,301	$ 6,286,393	$ 9,793,694	$ 14,747

CITY OF CAVE SPRING, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Investments	$ 714,023	$ 78,237	$ 792,260
Receivables (Net of Allowance for Doubtful Assets):			
Other Taxes	45,893	396	46,289
Accounts	42,346	0	42,346
Other	13,720	0	13,720
Prepaid Expenses	12,094	0	12,094
Internal Balances	43,214	0	43,214
Total Assets	$ 871,290	$ 78,633	$ 949,923
Liabilities and Fund Balance			
Liabilities:			
Accounts Payable	$ 24,238	$ 0	$ 24,238
Accrued Expenses	5,471	0	5,471
Internal Balances	170,222	1	170,223
Due to Other Governments	8,149	0	8,149
Deferred Revenue	5,491	0	5,491
Total Liabilities	$ 213,571	$ 1	$ 213,572
Fund Balances:			
Reserved for:			
Prepaid Items	$ 12,094	$ 0	$ 12,094
Unreserved Reported in:			
General Fund	645,625	0	645,625
Special Revenue Fund	0	78,632	78,632
Total Fund Balances	$ 657,719	$ 78,632	$ 736,351
Total Liabilities and Fund Balances	$ 871,290	$ 78,633	$ 949,923

See accompanying notes to the basic financial statements.

CITY OF CAVE SPRING, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total Fund Balance - Total Governmental Funds	$	736,351
Amounts Reported for Governmental Activities in the Statements of Net Assets are different because:		
Capital Assets used in governmental activities are not current financial resources, and therefore, not reported in the governmental funds balance sheet.		2,778,328
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the governmental funds balance sheet.		
Due within one year		(3,684)
Due in more than one year		(9,185)
Revenues in the Statement of Activities that do not provide current financial resources as revenues in the funds:		
Long-term receivables for deferred revenue		5,491
Net Assets of Governmental Activities	$	3,507,301

See accompanying notes to basic financial statements.

CITY OF CAVE SPRING, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes:			
Sales	$ 267,654	$ 0	$ 267,654
Franchise and Insurance	169,675	3,905	173,580
Licenses and Permits	12,568	0	12,568
Intergovernmental Revenues	87,837	0	87,837
Charges for Services	150,144	100	150,244
Fines and Forfeitures	32,826	0	32,826
Investment Income	1,244	147	1,391
Miscellaneous	1,066	0	1,066
Total Revenue	$ 723,014	$ 4,152	$ 727,166
Expenditures:			
Current:			
General Government	$ 115,664	$ 895	$ 116,559
Public Safety	366,150	0	366,150
Streets and Maintenance	147,082	0	147,082
Culture and Recreation	53,402	50	53,452
Debt Service:			
Principal Retirement	12,352		12,352
Interest Charges	586		586
Non-Current:			
Capital Outlay	0	0	0
Total Expenditures	$ 695,236	$ 945	$ 696,181
Net Change in Fund Balance	$ 27,778	$ 3,207	$ 30,985
Other Financing Sources (Uses):			
Proceeds from Long-term Leases	$ 0	$ 0	$ 0
Reimbursement to Other Governments	0	0	0
Transfers In (Out)	(13,318)	0	(13,318)
Total Other Financing Sources (Uses)	$ (13,318)	$ 0	$ (13,318)
Net Change in Fund Balance and Other Sources (Uses)	$ 14,460	$ 3,207	$ 17,667
Fund Balance at Beginning of Year	643,259	75,425	718,684
Fund Balance at End of Year	$ 657,719	$ 78,632	$ 736,351

See accompanying notes to the basic financial statements.

CITY OF CAVE SPRING, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Total Governmental Funds	$	17,667
Amounts Reported for Governmental Activities in Statement of Activities are Different Because:		
Governmental funds report capital outlay as expenditures. However, in the goverment-wide statement of activities and changes in net assets, the cost of those assests is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		0
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(85,515)
The issuance of capital leases payable provides current financial resources to governmental funds, while the repayment of the principal of long-term debts consumers the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		12,352
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.		0
Some fines and forfeitures will not be collected for several months after the City's fiscal year end. They are not considered available revenues in the governmental funds.		916
Change in net assets of governmental activities	$	(54,580)

See accompanying notes to basic financial statements.

CITY OF CAVE SPRING, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes	$ 433,500	$ 433,500	$ 437,329	$ 3,829
Licenses and Permits	17,000	17,000	12,568	(4,432)
Grants and Receipts from Other Governments	86,000	86,000	87,837	1,837
Charges for Services	169,250	169,250	150,144	(19,106)
Fines and Forfeits	26,000	26,000	32,826	6,826
Interest	5,000	5,000	1,244	(3,756)
Other	9,500	9,500	1,066	(8,434)
TOTAL REVENUES	$ 746,250	$ 746,250	$ 723,014	$ (23,236)
EXPENDITURES:				
CURRENT:				
General Government	$ 127,700	$ 127,700	$ 115,664	$ 12,036
Public Safety	381,800	381,800	379,088	2,712
Streets and Maintenance	160,100	160,100	147,082	13,018
Culture and Recreation	64,200	64,200	53,402	10,798
Capital Outlay	0	0	0	0
TOTAL EXPENDITURES	$ 733,800	$ 733,800	$ 695,236	$ 38,564
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 12,450	$ 12,450	$ 27,778	$ 15,328
OTHER FINANCING SOURCES (USES):				
Proceeds from Long-term Lease Obligations	$ 0	$ 0	$ 0	$ 0
Reimbursements to Other Governments	0	0	0	0
Sale of Assets	0	0	0	0
Transfers In/(Out)	(14,250)	(14,250)	(13,318)	932
TOTAL OTHER FINANCING SOURCES (USES)	$ (14,250)	$ (14,250)	$ (13,318)	$ 932
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ (1,800)	$ (1,800)	$ 14,460	$ 16,260
FUND BALANCE, JULY 1 - ADJUSTED	643,259	643,259	643,259	0
FUND BALANCE, JUNE 30	$ 641,459	$ 641,459	$ 657,719	$ 16,260

See accompanying notes to the basic financial statements.

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CITY OF CAVE SPRING, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

ASSETS	WATER AND SEWER FUND	CHILD CARE FUND	TOTAL
CURRENT ASSETS:			
Cash and Cash Investments	$ 220,673	$ 40	$ 220,713
Due from Other Governments	0	1,759	1,759
Accounts Receivable	168,883	7,057	175,940
Allowance for Doubtful Accounts	(11,176)	0	(11,176)
Due from Other Funds	170,223	0	170,223
Prepaid Expenses	5,810	938	6,748
TOTAL CURRENT ASSETS	$ 554,413	$ 9,794	$ 564,207
RESTRICTED ASSETS - CURRENT:			
Sinking and Reserve Funds - Cash	$ 195,573	$ 0	$ 195,573
Construction Fund - Cash	40,400	0	40,400
Customer Deposits - Cash	52,353	0	52,353
TOTAL RESTRICTED ASSETS - CURRENT	$ 288,326	$ 0	$ 288,326
NON-CURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT:			
Land/Right of Ways	$ 18,000	$ 0	$ 18,000
Plant Under Construction	$ 97,221	$ 0	$ 97,221
Buildings	0	541,112	541,112
Improvements Other than Buildings	12,468,668	0	12,468,668
Machinery and Equipment	342,799	29,041	371,840
Total at Cost before Depreciation	$ 12,908,688	$ 570,153	$ 13,478,841
Less Accumulated Depreciation	(1,770,784)	(172,767)	(1,943,551)
NET PROPERTY, PLANT AND EQUIPMENT	$ 11,155,904	$ 397,386	$ 11,553,290
OTHER ASSETS:			
Bond Issuance Cost - Net of Amortization	161,711	0	161,711
TOTAL NONCURRENT ASSETS	$ 11,317,615	$ 397,386	$ 11,715,001
TOTAL ASSETS	$ 12,160,354	$ 407,180	$ 12,567,534

See accompanying notes to the basic financial statements.

LIABILITIES	WATER AND SEWER FUND	CHILD CARE FUND	TOTAL
Current Liabilities:			
Notes Payable	$ 213,826	$ 0	$ 213,826
Accounts Payable	112,200	2,228	114,428
Lease Payable	12,652	0	12,652
Accrued Expenses	12,598	8,379	20,977
Due to Other Funds	0	43,214	43,214
Total Current Liabilities Payable from Unrestricted Assets	$ 351,276	$ 53,821	$ 405,097
Current Liabilities Payable from Restricted Assets:			
Accounts Payable and Accrued Revenue Bond Interest	$ 7,812	$ 0	$ 7,812
Current Maturities of Revenue Bonds	75,000	0	75,000
Customer Deposits	52,353	0	52,353
Total Current Liabilities Payable from Restricted Assets	$ 135,165	$ 0	$ 135,165
Long-term Liabilities:			
Revenue Bonds Payable net of Current Maturities	$ 884,547	$ 0	$ 884,547
Note Payable - Net of Current Maturities	4,821,176	0	4,821,176
Accounts & Notes Payable - Projects	0	0	0
Leases Payable Net of Current Maturities	35,156	0	35,156
Total Long-term Liabilities	$ 5,740,879	$ 0	$ 5,740,879
TOTAL LIABILITIES	$ 6,227,320	$ 53,821	$ 6,281,141
NET ASSETS			
Invested in Capital Assets - Net of Related Debt	$ 5,153,947	$ 397,386	$ 5,551,333
Restricted for:			
Bond Debt Service	187,761	0	187,761
Construction	0	0	0
Deposits	0	0	0
Unrestricted	591,326	(44,027)	547,299
TOTAL NET ASSETS	$ 5,933,034	$ 353,359	$ 6,286,393

See accompanying notes to the basic financial statements.

CITY OF CAVE SPRING, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Water and Sewer	Child Care Fund	Total
OPERATING REVENUES:			
Charges and Fees (Revenues Securing Debt)	$ 1,003,091	$ 0	$ 1,003,091
Charges and Fees	0	124,753	124,753
Other Revenue	7,908	0	7,908
TOTAL OPERATING REVENUES	$ 1,010,999	$ 124,753	$ 1,135,752
OPERATING EXPENSES:			
Personnel Services	$ 281,094	$ 169,257	$ 450,351
Purchase of Services	34,050	3,789	37,839
Materials and Supplies	158,436	22,631	181,067
Depreciation and Amortization	216,503	14,483	230,986
Utilities	86,619	11,689	98,308
TOTAL OPERATING EXPENSES	$ 776,702	$ 221,849	$ 998,551
OPERATING INCOME (LOSS)	$ 234,297	$ (97,096)	$ 137,201
NONOPERATING REVENUES (EXPENSES):			
Interest Income	$ 1,822	$ 0	$ 1,822
Debt Service - Interest Expense	(113,456)	0	(113,456)
Disposal of Assets	13,183	0	13,183
Grant - United Way	0	26,114	26,114
Grants:			0
Federal	0	26,387	26,387
State Reimbursements for Services	0	19,869	19,869
TOTAL NONOPERATING REVENUES (EXPENSES)	$ (98,451)	$ 72,370	$ (26,081)
INCOME (LOSS) BEFORE TRANSFERS	$ 135,846	$ (24,726)	$ 111,120
TRANSFERS IN/(OUT)	(1,682)	15,000	13,318
CHANGE IN NET ASSETS	$ 134,164	$ (9,726)	$ 124,438
NET ASSETS - JULY 1	5,798,870	363,085	6,161,955
NET ASSETS - JUNE 30	$ 5,933,034	$ 353,359	$ 6,286,393

See accompanying to notes to the basic financial statements.

CITY OF CAVE SPRING, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business - Type Activities - Enterprise Funds		
	Water and Sewer Fund	Child Care Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 1,012,849	$ 124,248	$ 1,137,097
Cash payments to supplies for goods and services	(183,336)	(37,068)	(220,404)
Cash payments to employees for services	(281,093)	(168,357)	(449,450)
Cash payments (to) from other funds	(232,135)	(6,412)	(238,547)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 316,285	$ (87,589)	$ 228,696
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers - in	$ (1,682)	$ 15,000	$ 13,318
Grants and Contributions	0	72,624	72,624
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	$ (1,682)	$ 87,624	$ 85,942
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Aquisition and construction of capital assets	$ (2,081,777)	$ 0	$ (2,081,777)
Loan Cost	(144,794)	0	(144,794)
Sale of Equipment	13,183	0	13,183
Note Proceeds	2,187,184	0	2,187,184
Increase (Decrease) in Construction Debt	0	0	0
Reduction of Bond Debt Principal - Net	(75,000)	0	(75,000)
Reduction of Note Payable Principal	(61,097)	0	(61,097)
Reduction of Accounts Payable for Equipment	(586,184)	0	(586,184)
Reduction of Lease Contracts - Principal	(7,395)	0	(7,395)
Interest Paid on Bonds and Notes	(113,021)	0	(113,021)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	$ (868,901)	$ 0	$ (868,901)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest or Cash and Cash Investments	$ 1,821	$ 0	$ 1,821
INCREASE (DECREASE) IN CASH AND CASH INVESTMENTS	$ (552,477)	$ 35	$ (552,442)
CASH AND CASH INVESTMENTS - JULY 1	1,061,476	5	1,061,481
CASH AND CASH INVESTMENTS - JUNE 30	$ 508,999	$ 40	$ 509,039

See accompanying notes to the basic financial statements.

CITY OF CAVE SPRING, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business - Type Activities - Enterprise Funds		
	Water and Sewer Fund	Child Care Fund	Total
Reconciliation of Income (Loss) from operations to net cash provided (used) by operating activities:			
Income (Loss) from operations	$ 234,297	$ (97,096)	$ 137,201
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	212,177	14,483	226,660
Amortization	4,326	0	4,326
Allowance for doubtful accounts	640	0	640
Change in assests and liabilities:			
(Increase) Decrease in Accounts Receivable	2,108	(505)	1,603
Increase (Decrease) in Accounts Payable	95,040	1,013	96,053
(Increase) Decrease in Prepaid Expense	729	928	1,657
(Increase) Decrease in Payment (to) from Other Funds	(232,135)	(6,412)	(238,547)
Increase (Decrease) in Deposits	(899)	0	(899)
Net Cash Provided (Used) by Operating Activities	$ 316,283	$ (87,589)	$ 228,694
Reconciliation of Total Cash and Cash Investments:			
Current Assets - Cash and Cash Investments	$ 220,673	$ 40	$ 220,713
Restricted Assets - Cash and Cash Investments	288,326	0	288,326
Total Cash and Cash Investments	$ 508,999	$ 40	$ 509,039
Non - Cash Transaction:			
Purchase of Equipment			
Cost	$ (2,226,570)	$ 0	$ (2,226,570)
Loan Proceeds	2,187,184	0	2,187,184
Net Cash Payment	$ (39,386)	$ 0	$ (39,386)

See accompanying notes to the basic financial statements.

CITY OF CAVE SPRING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. Summary of Significant Accounting Policies

A. General Statement

The City of Cave Spring, Georgia operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety, streets and maintenance, water-sewer, culture-recreation, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

the organization is legally separate (can sue and be sued in their own name)
the City holds the corporate powers of the organization
the City appoints a voting majority of the organization's board
the City is able to impose its will on the organization
the organization has the potential to impose a financial benefit/burden on the City
there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the Library, Rolater Park, Cave Spring Housing Authority and the Firemen's Wives Auxiliary are related organizations, but they did not meet the criteria for inclusion in these financial statements. All of these organizations operate independently of the City. At its discretion, the City contributes to the operations of the Library. The Downtown Development Authority (DDA) is a component unit of the City and is discretely presented in these financial statements. The DDA is audited with the City. No other financial statements are prepared. All financial information is available through the Clerk's office of the City.

C. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City of Cave Spring, Georgia. The effect of interfund activity, within the governmental and business-type activities columns, 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.

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

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separated funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statement; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions are typically financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund

The general fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through funds are paid from the General Fund. and liabilities are included on the Statement of Net Assets.

C. Basis of Presentation - continued

The City has presented the following major proprietary funds:

Water and Sewer Fund

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Child Care (Day Care) Fund

The Child Care Fund is used to account for the revenue and expenses relating to maintaining the child care (day care) program of the City. Activities of this fund include administration and child care services. The City charges for each child entering the program. Revenue is also received from United Way, United States Department of Agriculture Food Program and the Georgia Department of Family and Children Services.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting.

D. Measurement Focus/Basis of Accounting - continued

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service Expenditures, as well as expenditures related to compensate absences, are recorded only when payment is due.

The revenues susceptible to accrual are sales taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

E. Budgetary Control

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

A. Prior to May 15, the Mayor submits to the City Council a proposed operating budget for the year commencing the following July 1. The operating budget identifies the proposed expenditures for each department.

B. After submission of the proposed budget, the City Council develops the City's budget. The City's budget includes proposed expenditures and the means of financing them.

C. The budget is published in the local newspaper two weeks prior to a public hearing.

D. A public hearing is conducted to obtain the citizen's comments.

E. The budget is formally adopted after the public hearing.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is at the department level.

Formal budgetary information is employed as a management control device during the year for the year for the General and Special Revenue Funds. Formal budgets are also adopted for the Water and Sewer and Child Care Funds. Budgets for the General and Special Revenue funds are adopted on the modified accrual or GAAP basis.

Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended. Unencumbered appropriations lapse at year end.

E. Budgetary Control - continued

There were no material supplementary appropriations made during the year.

The actual results of operations as compared with the budget are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget (GAAP Basis) and Actual General and Special Revenue Funds.

Transactions of the City's funds included the following:

A. The Water and Sewer Fund experienced an increase in net assets for the year of $134,164 net of depreciation of $216,503, which is not budgeted. In addition, a long term loan from the federal government was received in the amount of $4.4 million that was used to complete its water improvements project.

B. Street repairs and maintenance were financed by operations of the City and $7,837 from the State of Georgia through Floyd County.

C. The Child Care Fund experienced a reduction of net assets of $9,726 of which $14,483 was deducted for depreciation. Depreciation is not a budgeted line item. Included is a transfer of 15,000 from the General Funds. The excess loss was funded from prior year accumulations of funds and general funds. The reduction was due to a decrease in funds from federal subsidies and guardians. The deficit unrestricted fund balance is covered by the general fund.

D. In the General Fund, revenue exceeded expenditures by $27,728 before leases and transfers.

F. Cash and Investments

Cash of all funds, excluding restricted cash, and a certificate of deposit equal to the arbitrage liability, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has an equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's pooled Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. Balances incurred in pooled cash at year-end are treated as interfund receivables or payables of the General Fund and reciprocal fund.

Investments are limited to cash on deposit, certificates of deposits, money market accounts and similar federally insured accounts with maturity dates of three months or less. All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. There were no marketable security investments.

G. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

H. Inventories

The inventories in the Proprietary Funds consist of supplies and are recorded at the lower of weighted average cost or market.

I. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

J. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

K. Capital Assets

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment. See Note 1-O for the deferral method of reporting infrastructure assets (roads, bridges, etc.) of the governmental activities funds.

Assets capitalized, not including infrastructure assets, have an original cost of $1,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of $5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 Years
Water and Sewer System	30-50 Years
Infrastructure	20-35 Years
Machinery and Equipment	5-10 Years
Improvements	20 Years

L. Compensated Absences

City policy permits employees to accumulate annual and sick leave based on the years of employee service and such amounts are payable to the employee upon termination of employment. Accumulated annual and sick leave is accrued in Governmental Fund types to the extent that such amounts would normally be liquidated with expendable financial resources. The remaining liability is reflected in the General Long-term Debt Account Group. The accumulated leave in Proprietary Fund Types is reflected in the funds financial statements on the accrual basis.

As of June 30, 2011, the General Fund, Water and Sewer Fund, and Child Care Fund were liable for $5,471, $5,469 and $8,379 in accumulated annual and sick leave, respectively.

M. Nature and Purpose of Reservation and Designations of Fund Equity

The fund equity reserves for revenue bond retirement and construction, prepaid items and debt service are discussed in notes 1G and 4, respectively.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

O. Implementation of New Accounting Principles

The City elected to utilize the transition option for general infrastructure assets in the implementation of GASB Statement No. 34 (GASB 34), "Basic Financial Statements-Management's Discussion and Analysis - for State and Local Governments" and in fiscal year 2008 has not capitalized any major general infrastructure networks for roads, streets, and bridges. The City has not decided when it will begin phasing in the infrastructure. There were no additions to the general infrastructure assets in Fiscal Year 2009.

P. Application of Restricted vs Unrestricted Resources

The City's policy for applying resources to expenses when either resource can be used is to apply restricted resources first followed by unrestricted.

2. DEPOSITS AND INVESTMENTS

Deposits consist of cash and short-term certificates of deposit and money market accounts. Interest earned on these investments ranges from 0.25% to 1.50%. Although the government has no custodial credit risk policy, the investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

2. DEPOSITS AND INVESTMENTS - CONTINUED

Category 1: Insured or collateralized with securities held by the City or its agent in the City's name.

Category 2: Collateralized with securities held by the counterparty's trust department or agent in the City's name.

Category 3: Uncollateralized including any bank balance that is collateralized with securities held by the counterparty or by its trust department or agent but not in the City's name. The market value of securities held by the custodian was $601,620 to secure the category 3 assets.

The City's deposits are classified as follows at June 30, 2011:

	CATEGORY 1	CATEGORY 2	CATEGORY 3	BANK BALANCE	CARRYING AMOUNT
Primary Government	$ 871,104	$ 0	$ 439,540	$ 1,310,644	$ 1,301,144

The carrying amount for the reporting entity totaling $1,301,144 includes $288,326 grouped with restricted assets and excludes $154 in petty cash which is not held at financial institutions.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

3. CAPITAL ASSETS – Continued

	Balance July 1	Additions	Retirements	Balance June 30
Governmental Activities:				
Capital Assets not being depreciated:				
Land	$ 184,190	$ 0	$ 0	$ 184,190
Construction in Process	0	0	0	0
Total	$ 184,190	$ 0	$ 0	$ 184,190
Capital Assets being depreciated:				
Buildings	$ 3,181,544	$ 0	$ 0	$ 3,181,544
Equipment	735,604	0	0	735,604
Improvements	35,310	0	0	35,310
Infrastructure	0	0	0	0
Total	$ 3,952,458	$ 0	$ 0	$ 3,952,458
Less Accumulated Depreciation:				
Buildings	$ 912,220	$ 53,318	$ 0	$ 965,538
Equipment	355,245	29,900	0	385,145
Improvements	5,340	2,297	0	7,637
Infrastructure	0	0	0	0
Total	$ 1,272,805	$ 85,515	$ 0	$ 1,358,320
Total capital asset being depreciated, net	$ 2,679,653	$ (85,515)	$ 0	$ 2,594,138
Governmental Activities Capital Assets, Net	$ 2,863,843	$ (85,515)	$ 0	$ 2,778,328
Business-type Activities				
Capital Assets not being depreciated:				
Land	$ 0	$ 18,000	$ 0	$ 18,000
Construction in Process	5,551,172	97,221	5,551,172	97,221
Capital Assets being depreciated:				
Buildings	$ 541,112	$ 0	$ 0	$ 541,112
Equipment	330,787	41,053	0	371,840
Improvements	0	0	0	0
Infrastructure	6,142,810	7,476,674	1,150,816	12,468,668
Total	$ 7,014,709	$ 7,517,727	$ 1,150,816	$ 13,381,620
Less Accumulated Depreciation				
Buildings	$ 130,103	$ 13,931	$ 0	$ 144,034
Equipment	235,536	16,718	0	252,254
Improvements	0	0	0	0
Infrastructure	2,502,068	196,012	1,150,816	1,547,264
Total	$ 2,867,707	$ 226,661	$ 1,150,816	$ 1,943,552
Total Capital Assets being depreciated, net	$ 4,147,002	$ 7,291,066	$ 0	$ 11,438,068
Business-type Activities Capital Assets, Net	$ 9,698,174	$ 7,388,287 7406287	$ 5,551,172	$ 11,535,289 11553289

3. CAPITAL ASSETS - Continued

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

		Current
Governmental Activities:		
General Government and Administration	$	19,594
Public Safety		42,753
Streets and Maintenance		4,994
Library, Recreation, and Community Center		18,174
Total Depreciation Expense - Governmental Activities	$	85,515
Business-type Activities:		
Water and Sewer	$	212,177
Day Care		14,483
Total Depreciation Expense - Business-Type Activities	$	226,660

4. LONG-TERM DEBT

Water Revenue Bonds

Water revenue bonds issued for improvements to the water system and payable at June 30, 2011 consist of the following:

		Balance 07-01-10		Increase		Decrease		Balance 06-30-11
$1,680,000 water revenue bonds, series 1998 due in varying annual installments of $45,000 to $120,000 through November 1, 2020 plus interest at 3.7% to 5%, secured by revenues derived from operations of the water system	$	1,050,000	$	0	$	75,000	$	975,000
Less Unamortized Discounts on Bond Issuance		(17,385)		0		(1,932)		(15,453)
NET	$	1,032,615	$	0	$	73,068	$	959,547

The annual requirements to amortize the above bonds as of June 30, 2011, including interest payments, are as follows:

4. **LONG–TERM DEBT – Continued**

Date Matures	Principal	Interest	Total
11-01-11	$ 75,000	$ 23,940	$ 98,940
05-01-11	0	22,253	22,253
11-01-12	80,000	22,253	102,253
05-01-13	0	20,372	20,372
11-01-13	85,000	20,372	105,372
05-01-14	0	18,375	18,375
11-01-14	90,000	18,375	108,375
05-01-15	0	16,125	16,125
11-01-15	95,000	16,125	111,125
05-01-16		13,750	13,750
11-01-16 thru 05-01-21	550,000	71,250	621,250
TOTAL	$ 975,000	$ 263,190	$ 1,238,190
Current Maturities	75,000	46,193	121,193
Long-term Maturities	$ 900,000	$ 216,997	$ 1,359,383

The 1998 series bonds require a monthly sinking account deposit of one-sixth the bond interest due on the next succeeding interest payment date, and one-twelfth the principal due on the next succeeding principal payment date. The Reserve Fund requires deposits until the fund equals the highest amount due in any one year ($125,000). The Renewal and Extension Fund requires an amount not to exceed $30,000.

Reserved Per Bond Indentures

Amounts restricted for payment of bonds from restricted accounts as required by the bond indentures, less current liabilities payable from the restricted accounts, if any, have been reserved in fund equity in the amount of $195,573. The amount from bond proceeds reserved for construction funds is $40,400.

Sinking Fund Reserve - Revenue Bond

The Water and Sewer Revenue Bond indenture of 1998 contains a number of limitations and restrictions. The bond issue requires that operating revenues of the system be deposited to a special revenue fund from which payments are to be made on a priority basis to create and maintain specific reserve balances to pay principal and interest as they mature. The Water and Sewer system presently maintains balances required by the indenture, as follows:

4. LONG–TERM DEBT – Continued

Required:		
Reserve Fund	$	125,000
Renewal and Extension Fund		30,000
Reserve for Principal and Interest		
Current Maturities - 1998 Issue		32,980
Total Required	$	187,980
Actual:		
Sinking Fund Reserves		195,573
Underfunded (Excess) Reserve	$	(7,593)

5. LEASES AND NON-CASH TRANSACTIONS

The City has entered into lease transactions for the purchase of equipment as follows:

	Balance 07-01-10	Increase	Decrease	Balance 06-30-11
Long-term Debt - General Fund				
Lease payable to financing authority, 5.32% interest, payable $756 monthly, secured by equipment of $27,587	$ 8,810	$ 0	$ 8,810	$ 0
Lease payable to financing authority, 3.96% interest, payable $395 monthly secured by equipment of $18,695	16,411	0	3,542	12,869
Total	$ 25,221	$ 0	$ 12,352	$ 12,869
Less amount due currently	12,352	0	8,668	3,684
Net due after 12 months	$ 12,869	$ 0	$ 3,684	$ 9,185
Water and Sewer Fund:				
Lease payable to financing authority, 3.77% interest, payable $752 monthly, secured by equipment of $41,053	$ 0	$ 41,053	$ 1,248	$ 39,805
Lease payable to financing authority, 4.46% interest, payable $335 monthly, secured by equipment of $14,395	1,329	0	1,329	0
Lease payable to financing authority, 3.72%, payable $434 monthly, secured by equipment of $14,776	12,821	0	4,818	8,003
Total	$ 14,150	$ 41,053	$ 7,395	$ 47,808
Less Amount Due Currently - Water & Sewer	6,147	13,700	7,195	12,652
Net Due After Twelve Months	$ 8,003	$ 27,353	$ 200	$ 35,156

5. LEASES AND NON-CASH TRANSACTIONS (Continued)

Future minimum lease payments together with the net present value of minimum lease payments at June 30, 2011 are as follows:

Year	General Fund	Water & Sewer Fund
2012	$ 4,128	$ 14,235
2013	4,128	12,060
2014	4,128	9,022
2015	1,374	9,022
2016	0	7,518
Minimum Lease Payments for Capital Lease	$ 13,758	$ 51,857
Less Amount Representing Interest at the City's Incremental Borrowing Rate	889	4,049
Present Value of Minimum Lease Payments	$ 12,869	$ 47,808

6. CONTINGENT LIABILITIES

There are no pending or threatened litigation that exceeds $2,500, In addition, there are no unasserted claims or assessments filed against the City. The City is potentially liable for any short fall collections of sales taxes by the County that is in excess of that advanced by the County under the SPLOST contracts. How much, if any, was not determined at June 30, 2011. At such time as an agreed upon amount is determined, if any, it will be shown as a reimbursement of overfunded SPLOST proceeds to be repaid over a time period as determined by the parties involved.

7. NOTES PAYABLE AND LONG-TERM FINANCING

The City of Cave Spring, Georgia, Water and Sewer Enterprise Fund financed construction of improvements to its water & sewer system. The notes are payable to Georgia Environmental Facilities Authority. Interest accrues at 3.07% and 3.86%. The balance of the notes at June 30, 2011 is $613,986. The notes are secured by the system. Changes for the year are as follows:

	Balance 07-01-10	Increase	Decrease	Balance 06-30-11
Note #1 3.07%	$ 582,192	$ 0	$ 43,604	$ 538,588
Note #2 3.86%	79,383	0	3,985	75,398
Total	$ 661,575	$ 0	$ 47,589	$ 613,986
Less Amount Due Currently	47,589	1,489	0	49,078
Net Due After Twelve Months	$ 613,986	$ (1,489)	$ 47,589	$ 564,908

7. NOTES PAYABLE (Continued)

The current schedule of balance of payments on the notes is as follows:

Note #1:	Payments	Principal	Interest	Total
06-30-12	12	$ 44,936	$ 15,933	$ 60,869
06-30-13	12	46,385	14,484	60,869
06-30-14	12	47,806	13,063	60,869
06-30-15	12	49,293	11,576	60,869
06-30-16	12	50,813	10,056	60,869
07-01-16 to 06-30-21	60	278,901	25,443	304,344
07-01-21 to 10-31-21	4	20,454	133	20,587
Note #2:				
06-30-12	12	$ 4,142	2,838	$ 6,980
06-30-13	12	4,305	2,675	6,980
06-30-14	12	4,475	2,505	6,980
06-30-15	12	4,649	2,331	6,980
06-30-16	12	4,833	2,147	6,980
07-01-16 to 06-30-21	60	27,165	7,734	34,899
07-01-21 to 06-30-25	48	25,829	2,087	27,916
Total		$ 613,986	$ 113,005	$ 726,991
Current Maturities		49,078	18,771	67,849
Long-term Maturities		$ 564,908	$ 94,234	$ 659,142

A temporary construction loan of $200,940 was made in the prior year. The expenses were incurred as part of a major renovation project to the water system. An additional $185,000 was borrowed as a bridge until the project was approved. $350,000 of the obligation was repaid from SPLOST Funds and the balance was paid from operating revenue. A construction loan of $4.4 million due to GEFA was converted to a long-term financing and is payable as follows.

YEAR	#	PAYMENT	PRINCIPAL	INTEREST	TOTAL
Balance Beginning					$ 4,421,016
6-30-12	12	$ 295,125	$ 164,748	$ 130,377	4,256,268
6-30-13	12	295,125	169,759	125,366	4,086,509
6-30-14	12	295,125	174,922	120,203	3,911,587
6-30-15	12	295,125	180,242	114,883	3,731,345
6-30-16	12	295,125	185,725	109,400	3,545,620
6-30-17 thru 6-30-21	60	1,475,626	1,016,874	458,752	2,528,746
6-30-22 to 6-30-26	60	1,475,626	1,181,218	294,408	1,347,528
6-30-27 to 6-31-31	59	1,451,031	1,347,528	103,503	0
TOTAL	239	$ 5,877,908	$ 4,421,016	$ 1,456,892	
Less Due Currently	12	295,125	164,748	130,377	
Net Long-term	227	$ 5,582,783	$ 4,256,268	$ 1,326,515	

7. NOTES PAYABLE (Continued)

Changes to the note payable were as follows:

	Balance 07-01-10	Increase	Decrease	Balance 06-30-11
Note, 3%	$ 0	$ 4,434,523	$ 13,507	$ 4,421,016
Less Amount Due Currently	0	164,748	0	164,748
Net Due After Twelve Months	$ 0	$ 4,269,775	$ 13,507	$ 4,256,268

8. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The purpose of the interfund receivables and payables is to present the net amount of cash paid into and remitted from the joint banking accounts. Transfers were made from the Water & Sewer Fund ($1,682) to the General Fund for expenditures of $1,682. A transfer was made from the General Fund to the Child Care Center in the amount of $15,000 for operations. As of June 30, 2011, interfund receivables or payables were as follows:

FUND	AMOUNT DUE FROM	AMOUNT DUE TO
General Fund	$ 170,222	$ 58,214
SPLOST Fund	1	0
Water & Sewer Fund	0	170,223
Day Care Fund	58,214	0
Total	$ 228,437	$ 228,437

9. DUE TO/FROM OTHER GOVERNMENTS

The amounts due to or from other governments at June 30, 2011, are as follows:

FUND	AMOUNT DUE FROM	AMOUNT DUE TO
General Fund:		
U.S. Treasury	$ 0	$ 5,193
Georgia Dept of Revenue	0	2,956
Total	$ 0	$ 8,149
Day Care Fund:		
U.S. Government	$ 1,759	$ 0

10. RETIREMENT BENEFITS

The City participates in the Georgia Municipal Employee's Benefit System (GMEBS), an agent multiple-employer pension plan. This retirement plan is administered by the Georgia Municipal

10. RETIREMENT BENEFITS (Continued)

Association and is a non-contributory defined benefit plan offered to all full-time employees of the City who work at least 20 hours per week and who have completed one year of service. All past service is credited to the employees. The plan provides for a ten year vesting period with retirement at age 65. Early retirement may be taken at age 55 after ten years of service. Normal retirement benefits will be the product of one and one-fourth percent of each participant's final average earnings multiplied by the participant's years of credited services.

The Plan may be amended by the Council of the City of Cave Spring, Georgia. Any amendments will be in compliance with state and federal laws and the Master Plan will be maintained by GMEBS. The Master Plan may be amended by the Board of GMEBS.

The City is required to contribute at an actuarially determined rate; the current rate is 8.45% of annual covered payroll. This report covers the results of the December 31, 2010 actuarial valuation. The report issued by the Plan is a stand-alone financial report and is available at the City Clerk's office in the City of Cave Spring.

The amount shown below as the "Present Value of Accrued Plan Benefits" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to help users assess the plan's funding status on a going-concern basis, assess progress being made in accumulating sufficient assets to pay benefits when due, and allow for comparisons among public employee retirement plans. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are consistently applied. Significant actuarial assumptions used include a rate of return on the investment of present and future assets of seven and 75/100 (7.75) percent per year compounded annually, projected salary increases of three and 50/100 (3.5) percent per year compounded annually. The actuarial value of the plan assets was determined by roll forward of prior year's actuarial value with contributions, disbursements, and expected return on investments. The Preliminary Actuarial Value of Assets is Expected Actuarial Value of Assets plus (minus) 10% of the amount that Market Value of Assets exceeds (is less than) Expected Actuarial Value of Assets. In addition, the Actuarial Value of Assets will not be less than 80% or greater than 120% of the market Value of Assets. The City's initial unfunded actuarial accrued liability is being amortized as a level dollar over 30 years from 1988; 15 years for actuarial gains and losses; 20 years for plan provision changes; and 30 years for changes in actuarial assumptions and cost methods. These amortization periods, if applicable, are closed for this plan year.

10. RETIREMENT BENEFITS (Continued)

PRESENT VALUE OF ACCRUED PLAN BENEFITS (ON-GOING BASIS)

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$	136,437
Current Employees:		
Employer Financed – Vested		246,664
Employer Financed – Nonvested		69,011
Total Present Value of Accrued Plan Benefits	$	452,112
Net Assets Available for Benefits, at Market Value		408,615
Unfunded (Surplus) Present Value of Accrued Plan Benefits	$	43,497

The City's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). As of December 31, 2010, the estimated minimum annual contribution under these standards was $31,962. The GMEBS Board of Trustees has adopted an actuarial funding policy which requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan. Trend information is provided in the separately issued plan report indicating that plan assets are available to pay benefits when due.

During the year, annual employer contributions totaling $28,474 were made in accordance with contribution requirements by the various departments as follows: $10,535 (General Fund), $11,959 (Water and Sewer Fund), and $5,980 (Child Care Fund). Currently seven (7) retirees or beneficiaries are receiving benefits. The City's annual pension cost of $28,474 was equal to the City's required and actual contributions which were determined using the projected unit credit actuarial cost method. Annual covered payroll is approximately $392,000. The total contribution consisted of $25,948 normal cost (6.97 and 8.42 percent of covered payroll) and $2,526 amortization of the unfunded actuarial accrued liability (.54 percent of covered payroll). Total payroll for all funds for the year ended June 30, 2011 is approximately $687,568. The following information was used in arriving at the required annual contribution.

Valuation Date	January 1, 2011
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed Level Dollar for Remaining Unfunded Liability
Remaining Amortization Period	Remaining Amortization Period Varies for the Base, with a Net Effective Amortization Period of 12 Years
Asset Valuation Method	Sum of Actuarial Value at Beginning of Year and the Cash flow During the Plus the Assumed Investment Return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year.
Net Investment Rate of Return	7.75%
Projected Salary Increases	3.50% plus age and service based merit increases
Cost of Living Adjustment	0.0%

10. RETIREMENT BENEFITS (Continued)

Historical trend information for the City pension plan is presented below:

	01-01-11	01-01-10	01-01-09	03-01-08	03-01-07
Net Assets Available for Benefits as a Percentage of Present value of Accrued Plan Benefits to the City's Employees	90.38%	89.68%	121.26%	120.42%	113.73%
City's Contributions to the Pension Plan as a Percentage of the City's Annual Covered Payroll	8.45%	6.97%	6.96%	7.22%	7.63%
Actuarial Value of Plan Assets	$ 497,053	$ 454,578	$ 398,083	$ 361,166	$ 320,239
Actuarial Accrued Liability	$ 522,571	$ 465,031	$ 414,068	$ 378,793	$ 343,797
Unfunded Actuarial Liability or Funding (Excess)	$ 25,518	$ 10,453	$ 15,985	$ 17,627	$ 23,558
Actuarial value of Assets as a % of Actuarial Accrued Liability	95.12%	97.75%	96.14%	95.35%	93.15%
Annual Covered Payroll	$ 392,725	$ 401,828	$ 408,596	$ 368,417	$ 382,481
Ratio of Unfunded Actuarial Liability or Excess to Annual Covered Payroll	6.50%	2.60%	3.91%	4.78%	6.16%
Annual Pension Cost	$ 33,772	$ 28,474	$ 28,430	$ 31,315	$ 30,812
% of Annual Pension Cost Contributed	100.00%	100.00%	100.00%	100.00%	100.00%

Police Officer's Retirement Fund/Peace Officer's Annuity and Benefit Fund - The police officers are covered under separate pension plans which require that certain sums from fines or bond forfeitures be remitted by the City to the pension plans before the payment of any costs or other claims.

11. CONTRIBUTED CAPITAL - CHILD CARE FUND

The Child Care fund originated as a corporation in 1978. The City contributed $11,817 in 1978 in exchange for 118 shares of capital stock. The Child Care Center was set up as a separate fund and department of the City during the fiscal year ended June 30, 1981. The Child Care Fund never operated as a corporation separate from the City; therefore, it is presented as a fund in the financial statements. The corporate charter was revoked in 1990.

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases insurance coverage from GIRMA to cover its risk of loss for all areas except worker's compensation claims. For worker's compensation coverage, the City participates in the Georgia

12. RISK MANAGEMENT (Continued)

Municipal Association Worker's Compensation Self Insurance Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments.

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

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

Payments are made into these funds based on actuarial estimates of the amounts needed to pay prior and current year claims. Insurance premiums are assessed the City to cover liabilities and property damages. There were no unpaid claims at the end of the current year which would require accrual on the balance sheet. Also, settlement amounts have not exceeded coverage in any of the last three years for any fund.

13. JOINT VENTURE

The City of Cave Spring, Georgia, in conjunction with other cities and counties in the ten (10) county Northwest Georgia area are members of the Coosa Valley Regional Development Center (RDC). Membership in an RDC is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizations' structure for the RDCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RDC. The City paid annual dues in the amount of $1,050 to the RDC for the year ended June 30, 2011. The RDC board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members from the same county elect one member of the Boar who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the nonpublic Board member from a County. Audited financial statements are prepared for the agency on an annual basis. These financial statements are available at the Coosa Valley Regional Development Center central office in Rome, Georgia..

13. JOINT VENTURE - CONTINUED

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDCs as "public agencies and instrumentalities of their members." Georgia laws also provide that the member governments are liable for any debts or obligations of an RDC beyond its resources. (O.C.G.A. 50-8-39.1) The City has not been notified of any fiscal stress that may cause additional financial benefit to or burden on the participating government in the future.

14. BOND ISSUANCE COSTS

In November 1998, the City issued bonds in the amount of $1,680,000 at a discount of $38,634. The bond proceeds were used to extinguish existing debt and provide cash for a sewer construction project.

Discounts on Issuance of the Bonds is being amortized over the life of the bonds and is netted as a reduction of the bond payable on the combined balance sheet under the Enterprise Funds.

Costs associated with the issuance of the bonds is being amortized over the life of the bonds on a straight line basis and is shown as Other Assets net of amortization on the combined balance sheet under the Enterprise Funds.

15. HOTEL-MOTEL TAX

A tax is charged hotel-motel residents for the purpose of furthering business in the City. The amount collected and disbursed on the cash basis for the year is as follows:

	Balance 06-30-10	Net Change	Balance 06-30-11
Cash	$ 10,061	$ 2,982	$ 13,043
Accounts Receivable	368	28	396
Accounts Payable	0	0	0
Total	$ 10,429	$ 3,010	$ 13,439
Revenue		$ 3,905	
Expenditures		895	
Net Revenue over Expenditures		$ 3,010	

Six and 66/100 (6.66) percent of the total tax available were expended during the year. All expenditures were in accordance with legal requirements.

16. SEGMENT INFORMATION - ENTERPRISE FUNDS

The City provides water and sewer and child care services which are financed by user charges. The key financial data for the year ended June 30, 2011 are as follows:

	WATER AND SEWER	CHILD CARE	TOTAL
Operating Revenues	$ 1,010,999	$ 124,753	$ 1,135,752
Operating Expenses	560,199	207,366	767,565
Operating Income (Loss) before Depreciation	$ 450,800	$ (82,613)	$ 368,187
Depreciation	216,503	14,483	230,986
Operating Income (Loss)	$ 234,297	$ (97,096)	$ 137,201
Non-operating Revenues (Expenses), Net	(98,451)	72,370	(26,081)
Net Income (Loss) before Transfers	$ 135,846	$ (24,726)	$ 111,120
Transfers in (out), Net	(1,682)	15,000	13,318
Net Income	$ 134,164	$ (9,726)	$ 124,438
Current Assets	$ 554,413	$ 9,794	$ 564,207
Restricted Assets	288,326	0	288,326
Property, Plant and Equipment, Net	11,155,904	397,386	11,553,290
Other Assets	161,711	0	161,711
Total Assets	$ 12,160,354	$ 407,180	$ 12,567,534
Current Liabilities (Payable from Current Assets)	$ 351,276	$ 53,821	$ 405,097
Current Liabilities (Payable from Restricted Assets)	135,165	0	135,165
Long-term Liabilities	5,740,879	0	5,740,879
Total Liabilities	$ 6,227,320	$ 53,821	$ 6,281,141
Capital Assets	$ 5,153,947	$ 397,386	$ 5,551,333
Restricted	187,761	0	187,761
Unrestricted	591,326	(44,027)	547,299
Net Assets	$ 5,933,034	$ 353,359	$ 6,286,393
Net Working Capital Unrestricted	$ 203,137	$ (44,027)	$ 159,110
Property, Plant and Equipment Additions	$ 2,081,777	$ 0	$ 2,081,777
Property, Plant and Equipment Deletions	$ 1,150,816	$ 0	$ 1,150,816

15. SEGMENT INFORMATION - ENTERPRISE FUNDS (Continued)

	WATER AND SEWER	CHILD CARE	TOTAL
Cash Provided (Used) by Operating Activities	$ 316,285	$ (87,589)	$ 228,696
Cash Provided (Used) by Non-Capital Financing Activities	(1,682)	87,624	85,942
Cash Provided (Used) by Capital and Related Financing Activities	(868,901)	0	(868,901)
Cash Provided from Investing Activities	1,821	0	1,821
Cash - Beginning	1,061,476	5	1,061,481
Cash - Ending	$ 508,999	$ 40	$ 509,039

17. RECEIVABLES

Receivables are shown net of allowance for doubtful accounts as follows:

	Governmental Activities		Business-type Activities	
	Receivable	Allowance	Receivable	Allowance
Accounts Receivable	$ 33,783	$ 3,007	$ 175,940	$ 11,176
Fines and Forfeitures and Other	68,572	2,270	0	0
Total	$ 102,355	$ 5,277	$ 175,940	$ 11,176

18. OPERATING LEASES

The City (as lessor) has entered into a lease agreement with a lessee for 10 years for certain real property. The lease requires the lessee to maintain the property and there are limitations on the use of the property. The lease began February 27, 2004 and is due as follows:

Years	Amount
6/30/2011	$ 2,844
06-30-12 thru 06-30-14	8,532

19. COMPONENT UNIT – Installment Note Payable:

A building was purchased during the year at a cost of $62,406. A down payment of $11,406 was made and the balance of $51,000 was financed at 6.75% interest with annual principal payments of $5,000 and quarterly interest payments made on the balance for five (years). A balloon payment of $31,000 is due at the end of five years. The note is secured by the real estate. Payments are due as follows:

	PRINCIPAL	INTEREST	TOTAL
6-30-12	$` 5,000	3,453	8,453
6-30-13	5,000	3,105	8,105
6-30-14	5,000	2,768	7,768
6-30-15	5,000	2,430	7,430
6-30-16	31,000	2,093	33,093
TOTAL	$ 51,000	$ 13,849	$ 64,849
Current	5,000	3,453	8,453
Long Term	$ 46,000	$ 10,396	$ 56,396

Changes for the year are as follows:

	Balance 07-01-10	Increase	Decrease	Balance 06-30-11
Note, 6.75%	$ 0	$ 51,000	$ 0	$ 51,000
Less Amount Due Currently	0	5,000	0	5,000
Net Due After Twelve Months	$ 0	$ 46,000	$ 0	$ 46,000

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Hotel-Motel Fund - to account for the receipts and disbursements relating to taxes collected under this Ordinance

Fire Department Fund - to account for contribution to be used for fire department

Downtown Development Authority (DDA) – to account for the balance of funds maintained by the City applicable to the DDA program

Confiscated Property – to account for confiscated goods converted to revenue and disbursements in accordance with the Courts

SPLOST Project Fund - to account for receipts and disbursements relating to the special purpose sales tax project

Cemetery Perpetual Care Fund – to account for receipts and disbursements relating to contributions for the perpetual care of the City's cemetery

CITY OF CAVE SPRING, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	SPECIAL REVENUE FUNDS		
	SPLOST FUNDS	HOTEL/MOTEL FUNDS	FIRE DEPT. FUNDS
ASSETS			
Cash	$ 1	$ 13,043	$ 1,622
Accounts Receivable	0	396	0
Due from Other Funds	0	0	0
TOTAL ASSETS	$ 1	$ 13,439	$ 1,622
LIABILITIES AND FUND BALANCE			
Liabilities:			
Account Payables	$ 0	$ 0	$ 0
Due to Other Funds	1	0	0
Total Liabilities	$ 1	$ 0	$ 0
Fund Balance:			
Unreserved	0	13,439	1,622
TOTAL LIABILITIES AND AND FUND BALANCE	$ 1	$ 13,439	$ 1,622

SPECIAL REVENUE FUNDS			
DOWNTOWN DEVELOPMENT AUTHORITY	CONFISCATED PROPERTY FUNDS	CEMETERY PERPETUAL CARE FUND	TOTAL OTHER GOVERNMENTAL FUNDS
$ 11	$ 4,689	$ 58,871	$ 78,237
0	0	0	396
0	0	0	0
$ 11	$ 4,689	$ 58,871	$ 78,633
$ 0	$ 0	$ 0	$ 0
0	0	0	1
$ 0	$ 0	$ 0	$ 1
11	4,689	58,871	78,632
$ 11	$ 4,689	$ 58,871	$ 78,633

CITY OF CAVE SPRING, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS		
	SPLOST FUNDS	HOTEL/MOTEL FUNDS	FIRE DEPT. FUNDS
REVENUES:			
Intergovernmental:			
Federal/State	$ 0	$ 0	$ 0
Other Funds	0	0	0
Other Funds - Sales Tax - SPLOST	0	3,905	0
TOTAL REVENUES	$ 0	$ 3,905	$ 0
EXPENDITURES:			
General Government	$ 0	$ 895	$ 0
Public Safety	0	0	0
Streets and Maintenance	0	0	0
Culture/Recreation	0	0	0
TOTAL EXPENDITURES	$ 0	$ 895	$ 0
NET CHANGE IN FUND BALANCE	$ 0	$ 3,010	$ 0
OTHER FINANCING SOURCES (USES):			
Transfers In/(Out)	0	0	0
NET CHANGE IN FUND BALANCE AND OTHER SOURCES (USES)	$ 0	$ 3,010	$ 0
FUND BALANCE - BEGINNING	0	10,429	1,622
FUND BALANCE - ENDING	$ 0	$ 13,439	$ 1,622

	SPECIAL REVENUE FUNDS			
DOWNTOWN DEVELOPMENT AUTHORITY	CONFISCATED PROPERTY FUNDS	CEMETERY PERPETUAL CARE FUNDS	TOTAL OTHER GOVERNMENTAL FUNDS	
$ 0	$ 0	$ 0	$ 0	
0	0	247	247	
0	0	0	3,905	
$ 0	$ 0	$ 247	$ 4,152	
$ 0	$ 0	$ 0	$ 895	
0	0	0	0	
0	0	0	0	
50	0	0	50	
$ 50	$ 0	$ 0	$ 945	
$ (50)	$ 0	$ 247	$ 3,207	
0	0	0	0	
$ (50)	$ 0	$ 247	$ 3,207	
61	4,689	58,624	75,425	
$ 11	$ 4,689	$ 58,871	$ 78,632	

SCHEDULE OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCE - BUDGET and ACTUAL

Special Revenue

CITY OF CAVE SPRING, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX (SPLOST) FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

	2011				2010
	Budgeted Amounts		Actual GAAP Basis	Variance With Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
REVENUES:					
Intergovernmental:					
Federal	$ 0	$ 0	$ 0	$ 0	$ 0
State	0	0	0	0	0
Other Funds	0	0	0	0	0
TOTAL REVENUES	$ 0	$ 0	$ 0	$ 0	$ 0
EXPENDITURES:					
General Government	$ 0	$ 0	$ 0	$ 0	$ 0
Public Safety	0	0	0	0	0
Streets and Maintenance	0	0	0	0	0
Culture and Recreation	0	0	0	0	0
Capital Outlay	0	0	0	0	0
TOTAL EXPENDITURES	$ 0	$ 0	$ 0	$ 0	$ 0
EXCESS OF REVENUES OVER EXPENDITURES	$ 0	$ 0	$ 0	$ 0	$ 0
OTHER FINANCING SOURCES (USES):					
Transfers In/Out	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	$ 0	$ 0	$ 0	$ 0	$ 0
FUND BALANCE - BEGINNING	0	0	0	0	0
FUND BALANCE - ENDING	$ 0	$ 0	$ 0	$ 0	$ 0

CITY OF CAVE SPRING, GEORGIA
SPECIAL REVENUE FUND - HOTEL/MOTEL
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011				2010
	Budgeted Amounts		Actual GAAP Basis	Variance With Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
REVENUES:					
Intergovernmental:					
Federal/State	$ 0	$ 0	$ 0	$ 0	$ 0
Other Funds	0	0	0	0	0
Other Funds - Taxes	3,000	3,000	3,905	905	7,432
TOTAL REVENUES	$ 3,000	$ 3,000	$ 3,905	$ 905	$ 7,432
EXPENDITURES:					
General Government	$ 1,000	$ 1,000	$ 895	$ 105	$ 913
Public Safety	0	0	0	0	0
Streets and Maintenance	0	0	0	0	0
Culture and Recreation	0	0	0	0	0
Capital Outlay	0	0	0	0	0
TOTAL EXPENDITURES	$ 1,000	$ 1,000	$ 895	$ 105	$ 913
EXCESS OF REVENUES OVER EXPENDITURES	$ 2,000	$ 2,000	$ 3,010	$ 1,010	$ 6,519
OTHER FINANCING SOURCES (USES):					
Transfers In/(Out)	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	$ 2,000	$ 2,000	$ 3,010	$ 1,010	$ 6,519
FUND BALANCE - BEGINNING	10,429	10,429	10,429	0	3,910
FUND BALANCE - ENDING	$ 12,429	$ 12,429	$ 13,439	$ 1,010	$ 10,429

CITY OF CAVE SPRING, GEORGIA
SPECIAL REVENUE FUND - FIRE DEPARTMENT FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011				2010
	Budgeted Amounts		Actual GAAP Basis	Variance With Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
REVENUES:					
Intergovernmental:					
Federal/State	$ 0	$ 0	$ 0	$ 0	$ 0
Other Funds	0	0	0	0	0
Other Funds - Taxes	0	0	0	0	0
TOTAL REVENUES	$ 0	$ 0	$ 0	$ 0	$ 0
EXPENDITURES:					
General Government	$ 0	$ 0	$ 0	$ 0	$ 0
Public Safety	1,622	1,622	0	1,622	1,060
Streets and Maintenance	0	0	0	0	0
Health and Welfare	0	0	0	0	0
Capital Outlay	0	0	0	0	0
TOTAL EXPENDITURES	$ 1,622	$ 1,622	$ 0	$ 1,622	$ 1,060
EXCESS OF REVENUES OVER EXPENDITURES	$ (1,622)	$ (1,622)	$ 0	$ 1,622	$ (1,060)
OTHER FINANCING SOURCES (USES):					
Transfers In/Out	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	$ (1,622)	$ (1,622)	$ 0	1,622	$ (1,060)
FUND BALANCE - BEGINNING	1,622	1,622	1,622	0	2,682
FUND BALANCE - ENDING	$ 0	$ 0	$ 1,622	$ 1,622	$ 1,622

CITY OF CAVE SPRING, GEORGIA
SPECIAL REVENUE FUND - DOWNTOWN DEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011				2010
	Budgeted Amounts		Actual GAAP Basis	Variance With Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
REVENUES:					
Intergovernmental:					
Federal/State	$ 0	$ 0	$ 0	$ 0	$ 0
Other Funds	0	0	0	0	0
Other Funds - Taxes	0	0	0	0	0
TOTAL REVENUES	$ 0	$ 0	$ 0	$ 0	$ 0
EXPENDITURES:					
General Government	$ 0	$ 0	$ 0	$ 0	$ 0
Public Safety	0	0	0	0	0
Streets and Maintenance	0	0	0	0	0
Culture and Recreation	61	61	50	11	4
Capital Outlay	0	0	0	0	0
TOTAL EXPENDITURES	$ 61	$ 61	$ 50	$ 11	$ 4
EXCESS OF REVENUES OVER EXPENDITURES	$ (61)	$ (61)	$ (50)	$ 11	$ (4)
OTHER FINANCING SOURCES (USES):					
Transfers In/(Out)	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	$ (61)	$ (61)	$ (50)	$ 11	$ (4)
FUND BALANCE - BEGINNING	61	61	61	0	65
FUND BALANCE - ENDING	$ 0	$ 0	$ 11	$ 11	$ 61

CITY OF CAVE SPRING, GEORGIA
SPECIAL REVENUE FUND - CONFISCATED PROPERTY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011				2010
	Budgeted Amounts		Actual GAAP Basis	Variance With Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
REVENUES:					
Intergovernmental:					
Federal/State	$ 0	$ 0	$ 0	$ 0	$ 0
Other Funds	0	0	0	0	0
Other Funds - Taxes	0	0	0	0	0
TOTAL REVENUES	$ 0	$ 0	$ 0	$ 0	$ 0
EXPENDITURES:					
General Government	$ 0	$ 0	$ 0	$ 0	$ 0
Public Safety	4,689	4,689	0	4,689	0
Streets and Maintenance	0	0	0	0	0
Culture and Recreation	0	0	0	0	0
Capital Outlay	0	0	0	0	0
TOTAL EXPENDITURES	$ 4,689	$ 4,689	$ 0	$ 4,689	$ 0
EXCESS OF REVENUES OVER EXPENDITURES	$ (4,689)	$ (4,689)	$ 0	$ 4,689	$ 0
OTHER FINANCING SOURCES (USES):					
Transfers In/(Out)	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	$ (4,689)	$ (4,689)	$ 0	$ 4,689	$ 0
FUND BALANCE - BEGINNING	4,689	4,689	4,689	0	4,689
FUND BALANCE - ENDING	$ 0	$ 0	$ 4,689	$ 4,689	$ 4,689

CITY OF CAVE SPRING, GEORGIA
SPECIAL REVENUE FUND - CEMETERY PERPETUAL CARE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011				2010
	Budgeted Amounts		Actual GAAP Basis	Variance With Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
REVENUES:					
Intergovernmental:					
Federal/State	$ 0	$ 0	$ 0	$ 0	$ 0
Other Funds	0	0	247	247	351
Other Funds - Taxes	0	0	0	0	0
TOTAL REVENUES	$ 0	$ 0	$ 247	$ 247	$ 351
EXPENDITURES:					
General Government	$ 0	$ 0	$ 0	$ 0	$ 0
Public Safety	0	0	0	0	0
Streets and Maintenance	0	0	0	0	0
Culture and Recreation	0	0	0	0	0
Capital Outlay	0	0	0	0	0
TOTAL EXPENDITURES	$ 0	$ 0	$ 0	$ 0	$ 0
EXCESS OF REVENUES OVER EXPENDITURES	$ 0	$ 0	$ 247	$ 247	$ 351
OTHER FINANCING SOURCES (USES):					
Transfers In/(Out)	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	$ 0	$ 0	$ 247	$ 247	$ 351
FUND BALANCE - BEGINNING	58,624	58,624	58,624	0	58,273
FUND BALANCE - ENDING	$ 58,624	$ 58,624	$ 58,871	$ 247	$ 58,624

SUPPLEMENTARY INDIVIDUAL FUND FINANCIAL STATEMENTS and SCHEDULES

General Fund

These supplementary statements and schedules are included to provide management additional information for financial analysis.

CITY OF CAVE SPRING, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash	$ 389,288	$ 152,058
Investments - Cash	324,735	323,476
Accounts Receivable - Net	42,346	25,826
Other Receivables	59,613	59,832
Prepaid Expenses	12,094	13,710
Internal Balances	43,214	111,539
TOTAL ASSETS	$ 871,290	$ 686,441
LIABILITIES		
Liabilities:		
Accounts Payable	$ 24,238	$ 24,961
Accrued Expenses	5,471	4,798
Internal Balances	170,222	0
Due to Other Governments	8,149	8,848
TOTAL LIABILITIES	$ 208,080	$ 38,607
DEFERRED REVENUE - NET	$ 5,491	$ 4,575
FUND EQUITY		
Fund Balance:		
Reserved for:		
Prepaid Expenses	$ 12,094	$ 13,710
Unreserved	645,625	629,549
TOTAL FUND EQUITY	$ 657,719	$ 643,259
TOTAL LIABILITIES AND FUND EQUITY	$ 871,290	$ 686,441

CITY OF CAVE SPRING, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL TOTALS FOR 2010

	2011				2010
	Budgeted Amounts			Variance With Final Budget Positive	
	Original	Final	Actual	(Negative)	Actual
REVENUES:					
Taxes	$ 433,500	$ 433,500	$ 437,329	$ 3,829	$ 433,046
Licenses and Permits	17,000	17,000	12,568	(4,432)	10,525
Grants and Receipts from				0	
Other Governments	86,000	86,000	87,837	1,837	82,265
Charges for Services	169,250	169,250	150,144	(19,106)	157,564
Fines and Forfeits	26,000	26,000	32,826	6,826	22,709
Interest	5,000	5,000	1,244	(3,756)	4,383
Other	9,500	9,500	1,066	(8,434)	10,250
TOTAL REVENUES	$ 746,250	$ 746,250	$ 723,014	$ (23,236)	$ 720,742
EXPENDITURES:					
CURRENT:					
General Government	$ 127,700	$ 127,700	$ 115,664	$ 12,036	$ 116,852
Public Safety	381,800	381,800	379,088	2,712	384,173
Streets and Maintenance	160,100	160,100	147,082	13,018	122,629
Culture and Recreation	64,200	64,200	53,402	10,798	58,245
Capital Outlay	0	0	0	0	0
TOTAL EXPENDITURES	$ 733,800	$ 733,800	$ 695,236	$ 38,564	$ 681,899
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 12,450	$ 12,450	$ 27,778	$ 15,328	$ 38,843
OTHER FINANCING SOURCES (USES):					
Proceeds from Long-term Lease Obligations	$ 0	$ 0	$ 0	$ 0	$ 18,695
Contributions from(to) Other Governments	0	0	0	0	0
Sale of Assets	0	0	0	0	0
Transfers In/(Out)	(14,250)	(14,250)	(13,318)	932	(2,693)
TOTAL OTHER FINANCING SOURCES (USES)	$ (14,250)	$ (14,250)	$ (13,318)	$ 932	$ 16,002
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ (1,800)	$ (1,800)	$ 14,460	$ 16,260	$ 54,845
FUND BALANCE, JULY 1	643,259	643,259	643,259	0	588,414
FUND BALANCE, JUNE 30	$ 641,459	$ 641,459	$ 657,719	$ 16,260	$ 643,259

CITY OF CAVE SPRING, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET (GAAP) AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL TOTALS FOR 2010

	2011				2010
	Budgeted Amounts			Variance With Final Budget Positive	
	Original	Final	Actual	(Negative)	Actual
Taxes and Franchise Fees:					
Franchise	$ 79,500	$ 79,500	$ 89,185	$ 9,685	$ 82,739
Insurance	55,000	55,000	52,486	(2,514)	54,057
Sales Taxes- General	270,000	270,000	267,654	(2,346)	271,831
Beer and Wine	25,000	25,000	22,887	(2,113)	20,453
Business Licenses	4,000	4,000	5,117	1,117	3,966
Total Taxes and Franchise Fees	$ 433,500	$ 433,500	$ 437,329	$ 3,829	$ 433,046
Charges for Services:					
Business Licenses	$ 17,000	$ 17,000	$ 12,568	$ (4,432)	$ 10,525
Garbage Fees	69,750	69,750	69,236	(514)	64,112
Fines and Forteitures	26,000	26,000	32,826	6,826	22,709
Fire Fees	66,650	66,650	66,009	(641)	60,928
Cemetery	9,000	9,000	2,630	(6,370)	13,855
Community Center	12,000	12,000	5,057	(6,943)	4,812
Rental	11,850	11,850	7,212	(4,638)	13,857
Total Charges for Services	$ 212,250	$ 212,250	$ 195,538	$ (16,712)	$ 190,798
Other Revenue:					
County Government	$ 80,000	$ 80,000	$ 80,000	$ 0	$ 78,430
Investment Income	5,000	5,000	1,244	(3,756)	4,383
Other Income	15,500	15,500	8,903	(6,597)	14,085
Total Other Revenue	$ 100,500	$ 100,500	$ 90,147	$ (10,353)	$ 96,898
Total Revenues	$ 746,250	$ 746,250	$ 723,014	$ (23,236)	$ 720,742

CITY OF CAVE SPRING, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011				2010
	Budgeted Amounts		Actual	Variance With Final Budget Positive	Actual GAAP
	Original	Final	Amounts	(Negative)	Basis
General Government and Administration					
Salaries and Taxes	$ 36,550	$ 36,550	$ 35,229	$ 1,321	$ 34,382
Pension	4,300	4,300	2,847	1,453	3,967
Insurance	17,300	16,300	13,559	2,741	19,275
Professional Fees	13,000	8,000	7,964	36	9,981
Utilities and Telephone	35,200	42,200	38,599	3,601	33,544
Supplies	17,350	16,350	15,191	1,159	12,903
Training and Travel	4,000	4,000	2,275	1,725	2,800
Capital	0	0	0	0	0
Total General Government	$ 127,700	$ 127,700	$ 115,664	$ 12,036	$ 116,852
Public Safety:					
Police Department:					
Salaries and Taxes	$ 143,700	$ 142,200	$ 141,859	$ 341	$ 137,693
Pension	8,250	6,250	5,980	270	7,476
Insurance	34,100	33,850	34,726	(876)	35,980
Supplies and Court Fees	16,550	16,355	13,794	2,561	13,357
Capital	8,320	8,320	8,311	9	16,426
Training and Travel	1,000	650	320	330	1,029
Auto	18,380	22,675	22,603	72	14,864
Total	$ 230,300	$ 230,300	$ 227,593	$ 2,707	$ 226,825
Fire Department:					
Salaries and Taxes	$ 96,500	$ 103,155	$ 102,346	$ 809	$ 93,948
Pension	0	0	0	0	0
Insurance	13,500	9,990	11,093	(1,103)	13,391
Supplies	12,950	7,755	7,681	74	5,979
Training and Travel	950	0	0	0	544
Capital	4,150	4,130	4,128	2	21,446
Auto	10,000	13,370	13,352	18	11,015
Utilities and Telephone	13,450	13,100	12,895	205	11,025
Total	$ 151,500	$ 151,500	$ 151,495	$ 5	$ 157,348
Total Public Safety	$ 381,800	$ 381,800	$ 379,088	$ 2,712	$ 384,173

CITY OF CAVE SPRING, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

(Continued)

	2011				2010
	Budgeted Amounts		Actual	Variance With Final Budget Positive	Actual GAAP
	Original	Final	Amounts	(Negative)	Basis
Streets and Maintenance:					
Salaries and Taxes	$ 65,600	$ 65,600	$ 64,849	$ 751	$ 52,499
Pension	3,000	3,000	1,708	1,292	2,225
Insurance	26,350	26,350	18,503	7,847	17,070
Auto	17,000	17,800	16,309	1,491	18,019
Supplies and Paving	33,950	30,450	28,916	1,534	19,827
Training and Travel	700	1,000	973	27	40
Waste Tipping Fees	13,500	13,900	13,824	76	12,949
Capital	0	2,000	2,000	0	0
Total	$ 160,100	$ 160,100	$ 147,082	$ 13,018	$ 122,629
Culture, Library and Recreation:					
Library:					
Contribution	$ 20,100	$ 20,100	$ 20,004	$ 96	$ 20,004
Utilities and Telephone	11,000	11,000	8,288	2,712	8,574
Insurance	1,500	1,500	1,430	70	1,545
Supplies	3,100	3,100	351	2,749	5,264
DDA	14,300	14,300	13,465	835	12,852
Community Center	14,200	14,200	9,864	4,336	10,006
Total	$ 64,200	$ 64,200	$ 53,402	$ 10,798	$ 58,245
Total	$ 733,800	733,800	$ 695,236	$ 38,564	$ 681,899

SUPPLEMENTARY INDIVIDUAL FUND FINANCIAL STATEMENTS

Proprietary Funds

These supplementary statements are included to provide management additional information for financial analysis.

Water and Sewer Fund
Child Care (Day Care) Fund

CITY OF CAVE SPRING, GEORGIA
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and Cash Investments	$ 220,673	$ 225,931
Accounts Receivable	168,883	170,991
Allowance for Doubtful Accounts	(11,176)	(10,536)
Due from Other Funds	170,223	1
Prepaid Expenses	5,810	6,539
TOTAL CURRENT ASSETS	$ 554,413	$ 392,926
RESTRICTED ASSETS - CURRENT:		
Sinking and Reserve Funds - Cash	$ 195,573	$ 196,108
Construction Fund - Cash	40,400	586,185
Customer Deposits - Cash	52,353	53,252
TOTAL RESTRICTED ASSETS - CURRENT	$ 288,326	$ 835,545
PROPERTY, PLANT AND EQUIPMENT:		
Land/Right of Ways	$ 18,000	$ 0
Plant Under Construction	97,221	5,551,172
Improvements Other than Buildings	12,468,668	6,142,810
Machinery and Equipment	342,799	301,746
Total at Cost	$ 12,908,688	$ 11,995,728
Less Accumulated Depreciation	1,770,784	2,709,423
NET PROPERTY, PLANT AND EQUIPMENT	$ 11,137,904	$ 9,286,305
OTHER ASSETS:		
Bond Issuance Cost - Net of Amortization	$ 161,711	$ 19,311
TOTAL ASSETS	$ 12,160,354	$ 10,534,087
LIABILITIES		
Current Liabilities:		
Notes Payable	$ 213,826	$ 83,165
Accounts Payable	112,200	17,160
Lease Payable	12,652	6,147
Accrued Expenses	12,598	11,432
Due to Other Funds	0	61,913
Total Current Liabilities Payable from Unrestricted Assets	$ 351,276	$ 179,817
Current Liabilities Payable from Restricted Assets:		
Accounts Payable - Construction	$ 0	$ 586,184
Accrued Revenue Bond Interest	7,812	8,543
Current Maturities of Revenue Bonds	75,000	75,000
Customer Deposits	52,353	53,252
Total Current Liabilities Payable from Restricted Assets	$ 135,165	$ 722,979
Total Current Liabilities	$ 486,441	$ 902,796
Long-term Liabilities:		
Revenue Bonds Payable - Net of Current Maturities	$ 884,547	$ 957,615
Note Payable - Net of Current Maturities	4,821,176	2,866,803
Lease Payable - Net of Current Maturities	35,156	8,003
Total Long-term Liabilities	$ 5,740,879	$ 3,832,421
TOTAL LIABILITIES	$ 6,227,320	$ 4,735,217
NET ASSETS		
Invested in Capital Assets - Net of Related Debt	$ 5,153,947	$ 5,289,572
Restricted for:		
Bond Debt Service	187,761	194,547
Construction	0	0
Deposits Payable	0	0
Unreserved	591,326	314,751
TOTAL NET ASSETS	$ 5,933,034	$ 5,798,870

CITY OF CAVE SPRING, GEORGIA
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING REVENUES:		
Charges and Fees	$ 1,003,091	$ 852,972
Other Revenue	7,908	7,741
TOTAL OPERATING REVENUES	$ 1,010,999	$ 860,713
OPERATING EXPENSES:		
Personnel Services	$ 281,094	$ 283,233
Purchase of Services	34,050	47,775
Materials and Supplies	158,436	127,974
Depreciation	216,503	153,003
Utilities	86,619	78,781
TOTAL OPERATING EXPENSES	$ 776,702	$ 690,766
OPERATING INCOME (LOSS)	$ 234,297	$ 169,947
NONOPERATING REVENUES (EXPENSES):		
Interest Income	$ 1,822	$ 5,804
Debt Service - Interest Expense	(113,456)	(74,408)
Disposal of Assets - Net	0	0
Grants:	13,183	0
Federal	0	2,895,878
State	0	0
TOTAL NONOPERATING REVENUES (EXPENSES)	$ (98,451)	$ 2,827,274
INCOME (LOSS) BEFORE TRANSFERS	$ 135,846	$ 2,997,221
TRANSFERS IN/(OUT)	(1,682)	352,693
CHANGE IN NET ASSETS	$ 134,164	$ 3,349,914
NET ASSETS - JULY 1	5,798,870	2,448,956
NET ASSETS - JUNE 30	$ 5,933,034	$ 5,798,870

CITY OF CAVE SPRING, GEORGIA
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 1,012,849	$ 795,228
Cash payments to supplies for goods and services	(183,336)	(247,811)
Cash payments to employees for services	(281,093)	(283,233)
Cash payments (to) from other funds	(232,135)	(13,049)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 316,285	$ 251,135
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers - in	$ (1,682)	$ 0
Grants and Contributions	0	0
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	$ (1,682)	$ 0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Aquisition and construction of capital assets	$ (2,081,777)	$ (5,238,908)
(Decrease)/Increase in Construction Debt	(586,184)	2,547,725
Grants and Contributions Received	0	2,895,878
Loan Cost	(144,794)	0
Proceeds from Sale of Equipment	13,183	0
Note Proceeds	2,187,184	
Transfers - in (Out)	0	352,693
Reduction of Bond Debt Principal - Net	(75,000)	(133,068)
Reduction of Note Payable Principal	(61,097)	(46,123)
Reduction of Lease Contracts - Principal	(7,395)	(7,933)
Interest Paid on Bonds and Notes	(113,021)	(79,057)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	$ (868,901)	$ 291,207
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on Cash and Cash Investments	$ 1,821	$ 5,804
INCREASE (DECREASE) IN CASH AND CASH INVESTMENTS	$ (552,477)	$ 548,146
CASH AND CASH INVESTMENTS - JULY 1	1,061,476	513,330
CASH AND CASH INVESTMENTS - JUNE 30	$ 508,999	$ 1,061,476

CITY OF CAVE SPRING, GEORGIA
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Reconciliation of Income (Loss) from operations to net cash provided (used) by operating activities:		
Income (Loss) from operations	$ 234,297	$ 169,947
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	212,177	150,609
Amortization	4,326	2,394
Allowance for doubtful accounts	640	4,681
Change in assests and liabilities:		
(Increase) in Accounts Receivable	2,108	(71,773)
Increase (Decrease) in Accounts Payable and Accruals	95,040	4,880
(Increase) Decrease in Prepaid Expense	729	1,839
(Increase) Decrease in Payment (to) from other funds	(232,135)	(13,049)
Increase (Decrease) in Deposits	(899)	1,607
Net Cash Provided (Used) by Operating Activities	$ 316,283	$ 251,135
Reconciliation of Total Cash and Cash Investments:		
Current Assets - Cash and Cash Investments	$ 220,673	$ 225,936
Restricted Assets - Cash and Cash Investments	288,326	835,549
Total Cash and Cash Investments	$ 508,999	$ 1,061,485
NON CASH TRANSACTION		
Purchase of Equipment:		
Cost	$ (2,226,570)	$ (5,224,132)
Loan Proceeds	2,187,184	2,547,725
Net Cash Payment	$ (39,386)	$ (2,676,407)

CITY OF CAVE SPRING, GEORGIA
CHILD CARE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and Cash Investments	$ 40	$ 5
Due from Other Governments	1,759	2,013
Accounts Receivable	7,057	6,552
Due from Other Funds	0	0
Prepaid Expenses	938	1,866
TOTAL CURRENT ASSETS	$ 9,794	$ 10,436
PROPERTY, PLANT AND EQUIPMENT:		
Buildings	$ 541,112	$ 541,112
Machinery and Equipment	29,041	29,041
Total at Cost	$ 570,153	$ 570,153
Less Accumulated Depreciation	172,767	158,284
NET PROPERTY, PLANT AND EQUIPMENT	$ 397,386	$ 411,869
TOTAL ASSETS	$ 407,180	$ 422,305
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 2,228	$ 2,115
Accrued Expenses	8,379	7,479
Due to Other Funds	43,214	49,626
Total Current Liabilities	$ 53,821	$ 59,220
TOTAL LIABILITIES	$ 53,821	$ 59,220
NET ASSETS		
Invested in Capital Assets - Net of Related Debt	$ 397,386	$ 411,869
Restricted	0	0
Unrestricted	(44,027)	(48,784)
TOTAL NET ASSETS	$ 353,359	$ 363,085

CITY OF CAVE SPRING, GEORGIA
CHILD CARE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING REVENUES:		
Charges and Fees	$ 124,753	$ 121,512
Other Revenue	0	0
TOTAL OPERATING REVENUES	$ 124,753	$ 121,512
OPERATING EXPENSES:		
Personnel Services	$ 169,257	$ 177,488
Purchase of Services	3,789	3,746
Materials and Supplies	22,631	21,731
Depreciation	14,483	15,177
Utilities	11,689	10,951
TOTAL OPERATING EXPENSES	$ 221,849	$ 229,093
OPERATING INCOME (LOSS)	$ (97,096)	$ (107,581)
NONOPERATING REVENUES (EXPENSES):		
Interest Income	$ 0	$ 0
Contributions	26,114	24,817
Grants:		
Federal	26,387	27,575
State	19,869	25,604
TOTAL NONOPERATING REVENUES (EXPENSES)	$ 72,370	$ 77,996
INCOME (LOSS) BEFORE TRANSFERS	$ (24,726)	$ (29,585)
TRANSFERS IN/(OUT)	15,000	0
CHANGE IN NET ASSETS	$ (9,726)	$ (29,585)
NET ASSETS - JULY 1	363,085	392,670
NET ASSETS - JUNE 30	$ 353,359	$ 363,085

CITY OF CAVE SPRING, GEORGIA
CHILD CARE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 124,248	$ 121,856
Cash payments to supplies for goods and services	(37,068)	(36,817)
Cash payments to employees for services	(168,357)	(186,008)
Cash payments (to) from other funds	(6,412)	24,620
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (87,589)	$ (76,349)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers - in	$ 15,000	$ 0
Grants and Contributions	72,624	76,349
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	$ 87,624	$ 76,349
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Aquisition and construction of capital assets	$ 0	$ 0
Increase in Construction Debt	0	0
Reduction of Bond Debt Principal - Net	0	0
Reduction of Note Payable Principal	0	0
Note Proceeds	0	0
Grant Proceeds for Construction	0	0
Reduction of Lease Contracts - Principal	0	0
Interest Paid on Bonds and Notes	0	0
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	$ 0	$ 0
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on Cash and Cash Investments	$ 0	$ 0
INCREASE (DECREASE) IN CASH AND CASH INVESTMENTS	$ 35	$ 0
CASH AND CASH INVESTMENTS - JULY 1	5	5
CASH AND CASH INVESTMENTS - JUNE 30	40	5

CITY OF CAVE SPRING, GEORGIA
CHILD CARE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Reconciliation of Income (Loss) from operations to net cash provided (used) by operating activities:		
Income (Loss) from operations	$ (97,096)	$ (107,581)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	14,483	15,177
Change in assests and liabilities:		
(Increase) Decrease in Accounts Receivable - Customers	(505)	344
Increase (Decrease) in Accounts Payable and Accrued Expenses	1,013	(9,053)
(Increase) Decrease in Prepaid Expense	928	144
(Increase) Decrease in Payment (to) from other funds	(6,412)	24,620
Net Cash Provided (Used) by Operating Activities	$ (87,589)	$ (76,349)
Reconciliation of Total Cash and Cash Investments:		
Current Assets - Cash and Cash Investments	$ 40	$ 5
Restricted Assets - Cash and Cash Investments	0	0
Total Cash and Cash Investments	$ 40	$ 5

COMPONENT UNIT

DOWNTOWN DEVELOPMENT AUTHORITY

CITY OF CAVE SPRING, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF CAVE SPRING, GEORGIA
BALANCE SHEET - GENERAL FUND
JUNE 30, 2011

		General
Assets		
Cash and Cash Investments	$	3,341
Total Assets	$	3,341
Liabilities and Fund Balance		
Liabilities	$	0
Total Liabilities	$	0
Fund Balances:		
Unreserved		3,341
Total Fund Balances	$	3,341
Total Liabilities and Fund Balances	$	3,341

See accompanying notes to the financial statements.

CITY OF CAVE SPRING, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF CAVE SPRING, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total General Fund Balance	$	3,341
Amounts Reported for Governmental Activities in the Statements of Net Assets - Differences		11,406
Net Assets of Governmental Activities	$	14,747

See accompanying notes to the financial statements.

CITY OF CAVE SPRING, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF CAVE SPRING, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED JUNE 30, 2011

		General
Revenues:		
Miscellaneous and Fund Raising	$	27,513
Total Revenue	$	27,513
Expenditures:		
Current:		
Culture and Recreation	$	17,436
Non-Current:		
Capital Outlay		62,406
Total Expenditures	$	79,842
Net Change in Fund Balance	$	(52,329)
Other Financing Sources (Uses):		
Proceeds from Long-term Leases	$	51,000
Transfers In (Out)		0
Total Other Financing Sources (Uses)	$	51,000
Net Change in Fund Balance and Other Sources (Uses)	$	(1,329)
Fund Balance at Beginning of Year		4,670
Fund Balance at End of Year	$	3,341

See accompanying notes to the financial statements.

CITY OF CAVE SPRING, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF CAVE SPRING, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GENERAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - General Fund	$	1,329
Amounts Reported for Governmental Activities in Statement of Activities - Differences		11,406
Change in net assets of Governmental Activities	$	12,735

See accompanying notes to the financial statements.

CITY OF CAVE SPRING, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF CAVE SPRING, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Other	$ 25,000	$ 25,000	$ 27,513	$ 2,513
TOTAL REVENUES	$ 25,000	$ 25,000	$ 27,513	$ 2,513
EXPENDITURES:				
CURRENT:				
Culture and Recreation	25,000	25,000	17,436	7,564
Capital Outlay	0	62,406	62,406	0
TOTAL EXPENDITURES	$ 25,000	$ 87,406	$ 79,842	$ 7,564
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 0	$ (62,406)	$ (52,329)	$ 10,077
OTHER FINANCING SOURCES (USES):				
Proceeds from Long-term Lease Obligations	$ 0	$ 51,000	$ 51,000	$ 0
Sale of Assets	0	0	0	0
Transfers In/(Out)	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	$ 0	$ 51,000	$ 51,000	$ 0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ 0	$ (11,406)	$ (1,329)	$ 10,077
FUND BALANCE, JULY 1	4,670	4,670	4,670	0
FUND BALANCE, JUNE 30	$ 4,670	$ (6,736)	$ 3,341	$ 10,077

See accompanying notes to the financial statements.

FEDERAL AND STATE COMPLIANCE

FINNEY & ASSOCIATES CPA'S, P.C.
Certified Public Accountants

Jimmy F. Finney, CPA
Debra S. Kernes, CPA

Member:
American Institute of
Certified Public Accountants
Georgia Society of
Certified Public Accountants

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 Cave Spring, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Cave Spring, Georgia, as of and for the year ended June 30, 2011, which collectively comprise City of Cave Spring, Georgia's basic financial statements and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Cave Spring, 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 City of Cave Spring, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Cave Spring, Georgia's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Cave Spring, 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.

P. O. Box 1190, 104 East Third Street, Rome, Georgia 30162-1190
Telephone: 706-295-0657 Facsimile: 706-234-5074 E-Mail: Finneycpa@aol.com

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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.

Jimmy Sheffield Associates CPA's P.C.

Rome, Georgia
November 30, 2011

CITY OF CAVE SPRING, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

**Denotes Major Program

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT
U. S. DEPARTMENT OF AGRICULTURE			
PASS-THROUGH STATE DEPARTMENT OF EDUCATION:			
Adult and Child Care Food Program	10.558	C11-115-04019	$ 19,722
Adult and Child Care Food Program	10.558	C10-115-04019	6,665
TOTAL DEPARTMENT OF AGRICULTURE			$ 26,387
TOTAL FEDERAL ASSISTANCE			$ 26,387

The accompanying notes are an integral part of this statement.

CASH AT 07-1-10	REVENUES	EXPENDI-TURES	CASH AT 06-30-11
$ 0	$ 19,722	$ 19,722	$ 0
0	6,665	6,665	0
$ 0	$ 26,387	$ 26,387	$ 0
$ 0	$ 26,387	$ 26,387	$ 0

Note A - Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Cave Spring, Georgia and is presented on the accrual basis of accounting. Some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the financial statements.

CITY OF CAVE SPRING, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Cave Spring, Georgia.

2. There were no reportable conditions disclosed during the audit of the financial statements reported in the Independent Auditor's Report On Compliance and Internal Control Over Financial Reporting Based On An Audit Of General Purpose Financial Statements Performed In Accordance With Government Auditing Standards.

3. No instances of noncompliance material to the financial statements of City of Cave Spring, Georgia were disclosed during the audit.

CITY OF CAVE SPRING, GEORGIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE REPORTED

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INDEPENDENT AUDITORS' REPORT ON SPECIAL 1 PERCENT SALES AND USE TAX

To the Mayor and Council
City of Cave Spring, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Cave Spring, Georgia, for the year ended June 30, 2011. This schedule is the responsibility of the City of Cave Spring's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax 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 Schedule of Special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the *accrual basis of accounting used for the SPLOST schedule* as described in Note 1C and is not intended to be a complete presentation of City of Cave Spring, Georgia's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in City of Cave Spring, Georgia's resolution or ordinance calling for the tax for the year ended June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

Rome, Georgia
November 30, 2011

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CITY OF CAVE SPRING, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL SALES TAX PROCEEDS
JUNE 30, 2011

Contracts 04-01-08 To 06-30-11	Original Estimated Cost	Revised Estimated Cost	Expenditures Prior Years	Expenditures Current Year	Expenditures Total	Estimated Percent of Completion
Public Safety:						
Fire Station Building and Equipment	$ 1,200,000	$ 1,200,000	$ 1,199,825	$ 0	$ 1,199,825	99.99%
Culture and Recreation:						
Senior and Community Center Restoration	850,000	850,000	850,000	0	850,000	100.00%
Total	$ 2,050,000	$ 2,050,000	$ 2,049,825	$ 0	$ 2,049,825	99.99%
Contract - 2009 2009-2010						
Water Project Improvements	$ 350,000	$ 350,000	$ 350,000	$ 0	$ 350,000	100.00%

The accompanying notes are an integral part of this statement.