CITY OF CAVE SPRING, GEORGIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CITY OF CAVE SPRING, GEORGIA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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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, 2012, 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, 2012, and the respective changes in financial position and, where applicable, cash flows, 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 28, 2012, 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. The combining and individual major and non-major fund financial statements, as well as the schedule of expenditures of Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic 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 28, 2012

CITY OF CAVE SPRING, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012
(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, 2012. Please read it in conjunction with the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

1. The City completed a major water and sewer department extension project for services to be provided to a Georgia Department of Labor complex at a cost of $109,750. The City will be reimbursed by the State over 240 months, with interest at 3%. The State is billed through the water billing system as an additional charge to the water used. Equipment and infrastructure added during the year amounted to approximately $65,000 which was financed through long-term loans. Water revenue increased by $108,000 primarily through charges to customers and a major contract for water to be provided to another entity. Water and Sewer expenses increased by $1,472 before depreciation and interest. Interest expense increased by $88,000 and depreciation increased by $86,000.

2. The City's general fund experienced an overall increase in revenue of $31,000. Expenditures increased $19,000 primarily as a result of an increase in streets and maintenance expenditures.

3. The Child Care Center revenues decreased by $47,000 due to a decrease in revenues from both state and federal payments for services and fees paid by guardians. Expenses decreased by $48,000 before depreciation. Net Assets decreased by $22,000. There were no capital expenditures in 2012.

4. The City's Downtown Development Authority was in operation for all of 2012. In 2012 revenue of $31,000 was collected and expenditures of $30,000 were paid by the DDA and are included as a component unit. Payments of $10,200 were made on the principal of the long-term debt from the purchase of the building in 2011.

5. Included in the special revenue fund expenditures were payments for a walking path project (financed by Georgia DOT for (91,940) and a safety grant award through GMA ($17,424). The walking path project was not completed by year end. Included in other revenue as operating grants are funds received from FEMA ($24,000), Floyd County ($82,000), and Floyd County/DOT ($5,368).

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, 2012 and 2011, net assets and changes in net assets were as follows:

Table 1
Net Assets

	2012			2011		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	$ 867,261	$ 952,292	$ 1,819,553	$ 736,486	$ 1,014,244	$ 1,750,730
Capital Assets	2,733,950	11,282,107	14,016,057	2,778,328	11,553,290	14,331,618
Total Assets	$ 3,601,211	$ 12,234,399	$ 15,835,610	$ 3,514,814	$ 12,567,534	$ 16,082,348
Long-term Debt Outstanding	$ 37,469	$ 5,680,248	$ 5,717,717	$ 12,869	$ 6,042,357	$ 6,055,226
Other Liabilities	73,997	235,488	309,485	(5,356)	238,784	233,428
Total liabilities	$ 111,466	$ 5,915,736	$ 6,027,202	$ 7,513	$ 6,281,141	$ 6,288,654
Net Assets:						
Invested in Capital Assets, Net of Debt	$ 2,696,481	$ 5,552,203	$ 8,248,684	$ 2,765,459	$ 5,551,333	$ 8,316,792
Restricted	0	190,943	190,943	0	187,761	187,761
Unrestricted	793,264	575,517	1,368,781	741,842	547,299	1,289,141
Total Net Assets	$ 3,489,745	$ 6,318,663	$ 9,808,408	$ 3,507,301	$ 6,286,393	$ 9,793,694

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

	2012			2011		
	Govern-mental Activities	Business-Type Activities	Total	Govern-mental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	$ 183,612	$ 1,211,849	$ 1,395,461	$ 196,555	$ 1,148,936	$ 1,345,491
Operating and Capital Grants	178,350	57,578	235,928	87,837	72,370	160,207
General Revenues:						
Sales Tax	274,015	0	274,015	267,654	0	267,654
Franchise and Other Taxes	177,572	0	177,572	173,580	0	173,580
Other Revenues	(4,290)	2,951	(1,339)	2,456	1,821	4,277
Total Revenues	$ 809,259	$ 1,272,378	$ 2,081,637	$ 728,082	$ 1,223,127	$ 1,951,209
Program Expenditures:						
General Government	$ 131,797	$ 0	$ 131,797	$ 136,153	$ 0	$ 136,153
Public Safety	408,845	0	408,845	409,489	0	409,489
Streets and Maintenance	160,302	0	160,302	152,076	0	152,076
Culture and Recreation	126,719	0	126,719	71,626	0	71,626
Water and Sewer	0	1,066,361	1,066,361	0	890,158	890,158
Day Care Center	0	172,899	172,899	0	221,849	221,849
Total Program Expenditures	$ 827,663	$ 1,239,260	$ 2,066,923	$ 769,344	$ 1,112,007	$ 1,881,351
Excess (deficiency) before Special and Extraordinary Items and Transfers	$ 0	$ 0	$ 0	$ (41,262)	$ 111,120	$ 69,858
Transfers in (out)	848	(848)	0	(13,318)	13,318	0
Increase (Decrease) in Net Assets	$ (17,556)	$ 32,270	$ 14,714	$ (54,580)	$ 124,438	$ 69,858
Net Assets - Beginning	3,507,301	6,286,393	9,793,694	3,561,881	6,161,955	9,723,836
Net Assets - Ending	$ 3,489,745	$ 6,318,663	$ 9,808,408	$ 3,507,301	$ 6,286,393	$ 9,793,694

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

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government and Other	$ 259,338	$ (162,226)	$ 207,779	$ (180,211)
Police Department	247,215	(214,492)	238,221	(204,479)
Fire Department	160,808	(16,015)	171,268	(25,259)
Streets and Maintenance	160,302	(72,968)	152,076	(75,003)
Total	$ 827,663	$ (465,701)	$ 769,344	$ (484,952)

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 $61,000, and expenses before depreciation and interest decreased by $46,000. Major causes of these changes were as follows:

Table 4
Business-Type Activities

	Increase(Decrease)					
	2012			2011		
	Water & Sewer	Child Care	Net	Water & Sewer	Child Care	Net
Revenue:						
Operating	$ 108,165	$ (32,068)	$ 76,097	$ 159,487	$ 3,241	$ 162,728
Contributions and Grants	0	(14,792)	(14,792)	(2,895,878)	(5,626)	(2,901,504)
Net	$ 108,165	$ (46,860)	$ 61,305	$ (2,736,391)	$ (2,385)	$ (2,738,776)
Expenses:						
Operating - Less Depreciation	$ 1,472	$ (47,817)	$ (46,345)	$ 61,485	$ (6,550)	$ 54,935
Depreciation	86,298	(1,133)	85,165	63,500	(694)	62,806
Net	$ 87,770	$ (48,950)	$ 38,820	$ 124,985	$ (7,244)	$ 117,741

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	
	2012	2011	2012	2011
Revenues:				
Charges and Fees	$ 1,119,164	$ 1,010,999	$ 92,685	$ 124,753
Other Revenues and Grants	2,951	15,005	57,578	72,370
Total Revenues	$ 1,122,115	$ 1,026,004	$ 150,263	$ 197,123
Expenses:				
Operating Expenses Excluding Depreciation	$ 561,671	$ 560,199	$ 159,549	$ 207,366
Depreciation	302,801	216,503	13,350	14,483
Interest Expense	201,889	113,456	0	0
Total Expenses	$ 1,066,361	$ 890,158	$ 172,899	$ 221,849
Income (Loss) before Transfer	$ 55,754	$ 135,846	$ (22,636)	$ (24,726)
Transfer -In	(848)	(1,682)	0	15,000
Change in Net Assets	$ 54,906	$ 134,164	$ (22,636)	$ (9,726)

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 $790,493 which is above last year's total of $736,351.

The City receives payments from the County government as reimbursement for operations of the fire department. The amount received in 2012 and 2011 was $82,000 and $80,000, 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 $44,076 under the final budget amounts. The most significant variance occurred in the City's Street and Maintenance ($21,851 under budget).

Resources available for expenses were $9,825 under the final budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012 the City had $14 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)

	2012			2011		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Land	$ 184,190	$ 18,000	$ 202,190	$ 184,190	$ 18,000	$ 202,190
Buildings and Improvements	2,188,064	383,775	2,571,839	2,243,679	397,078	2,640,757
Equipment	361,696	121,689	483,385	350,459	119,586	470,045
Infrastructure	0	10,758,643	10,758,643	0	10,921,404	10,921,404
Construction in Progress	0	0	0	0	97,221	97,221
Totals	$ 2,733,950	$ 11,282,107	$ 14,016,057	$ 2,778,328	$ 11,553,289	$ 14,331,617

Debt

At year-end, the City had $5.8 million in bonds and notes outstanding versus $6.1 million last year as shown in Table 7. See notes 4 and 5 for additional information.

Table 7
Outstanding Debt at Year-end

	2012			2011		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Revenue bonds secured by revenues of the water and sewer system	$ 0	$ 886,478	$ 886,478	$ 0	$ 959,547	$ 959,547
Note payable to GEFA secured by infracture of the system	0	4,821,175	4,821,175	0	5,035,002	5,035,002
Accounts and notes payable applicable to projects secured by infracture	0	0	0	0	0	0
Leases payable for equipment secured by equipment	37,469	52,595	90,064	12,869	47,808	60,677
Total	$ 37,469	$ 5,760,248	$ 5,797,717	$ 12,869	$ 6,042,357	$ 6,055,226

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, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and Cash Investments	$ 655,996	$ 234,068	$ 890,064	$ 4,591
Receivables (net of allowance for doubtful accounts):				
Taxes	43,986	0	43,986	0
Accounts	41,775	163,650	205,425	0
Other	62,794	0	62,794	0
Internal Balances	47,705	(47,705)	0	0
Due from Other Governments	0	2,013	2,013	0
Prepaid Items	10,498	6,617	17,115	0
Restricted Assets:				
Cash and Cash Investments	0	282,243	282,243	0
Long-term Receivable	0	107,393	107,393	
Deferred Charges	0	152,076	152,076	0
Capital Assets:				
Buildings	$ 3,181,544	$ 541,112	$ 3,722,656	$ 62,406
Equipment	751,138	392,713	1,143,851	0
Improvements	35,310	0	35,310	0
Infrastructive	0	12,578,418	12,578,418	0
Accumulated Depreciation	(1,418,232)	(2,248,136)	(3,666,368)	(1,783)
Net of Depreciation	$ 2,549,760	$ 11,264,107	$ 13,813,867	$ 60,623
Construction in Process	$ 0	$ 0	$ 0	$ 0
Land	184,190	18,000	202,190	0
Total Assets	$ 3,596,704	$ 12,182,462	$ 15,779,166	$ 65,214
Liabilities				
Accounts Payable	$ 63,362	$ 16,999	$ 80,361	$ 0
Accrued Expenses	3,168	25,596	28,764	0
Due to Other Governments	2,960	0	2,960	0
Payable from Restricted Assets:			0	0
Deposits	0	53,538	53,538	0
Current Portion of Long-term Debt	0	80,000	80,000	0
Accrued Interest	0	7,418	7,418	0
Non-Current Liabilities:			0	0
Due Within One Year	12,430	235,115	247,545	5,000
Due In More Than One Year	25,039	5,445,133	5,470,172	35,800
Total Liabilities	$ 106,959	$ 5,863,799	$ 5,970,758	$ 40,800
Net Assets				
Invested in Capital Assets, Net of Related Debt	$ 2,696,481	$ 5,552,203	$ 8,248,684	$ 19,823
Restricted for:				
Debt Service	0	190,943	190,943	0
Unrestricted	793,264	575,517	1,368,781	4,591
Total Net Assets	$ 3,489,745	$ 6,318,663	$ 9,808,408	$ 24,414

See accompanying notes to the basic financial statements.

CITY OF CAVE SPRING, GEORGIA
GOVERNMENT - WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

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	$ 131,797	$ 20,329	$ 0	$ 0
Public Safety	408,023	84,922	92,594	0
Streets and Maintenance	160,302	67,096	20,238	0
Culture and Recreation	126,719	11,265	0	65,518
Interest on Long-term Debt	822	0	0	0
Total Governmental Activities	$ 827,663	$ 183,612	$ 112,832	$ 65,518
Business-type Activities:				
Water and Sewer	$ 1,066,361	$ 1,119,164	$ 0	$ 0
Day Care Center	172,899	92,685	57,578	0
Total Business-type Activities	$ 1,239,260	$ 1,211,849	$ 57,578	$ 0
Total Primary Government	$ 2,066,923	$ 1,395,461	$ 170,410	$ 65,518
Component Unit:				
Culture and Recreation	$ 21,663	$ 31,330	$ 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
$ (111,468)	$ 0	$ (111,468)	
(230,507)	0	(230,507)	
(72,968)	0	(72,968)	
(49,936)	0	(49,936)	
(822)	0	(822)	
$ (465,701)	$ 0	$ (465,701)	
$ 0	$ 52,803	$ 52,803	
0	(22,636)	(22,636)	
$ 0	$ 30,167	$ 30,167	
$ (465,701)	$ 30,167	$ (435,534)	
			$ 9,667
$ 274,015	$ 0	$ 274,015	$ 0
30,692	0	30,692	0
146,880	0	146,880	0
793	2,951	3,744	0
(5,083)	0	(5,083)	0
$ 447,297	$ 2,951	$ 450,248	$ 0
848	(848)	0	0
$ 448,145	$ 2,103	$ 450,248	$ 0
$ (17,556)	$ 32,270	$ 14,714	$ 9,667
3,507,301	6,286,393	9,793,694	14,747
$ 3,489,745	$ 6,318,663	$ 9,808,408	$ 24,414

CITY OF CAVE SPRING, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Investments	$ 586,481	$ 69,515	$ 655,996
Receivables (Net of Allowance for Doubtful Assets):			
Other Taxes	43,556	430	43,986
Accounts	41,775	0	41,775
Other	14,700	48,094	62,794
Prepaid Expenses	10,498	0	10,498
Internal Balances	52,212	0	52,212
Total Assets	$ 749,222	$ 118,039	$ 867,261
Liabilities and Fund Balance			
Liabilities:			
Accounts Payable	$ 15,268	$ 48,093	$ 63,361
Accrued Expenses	3,168	0	3,168
Internal Balances	4,231	277	4,508
Due to Other Governments	2,960	0	2,960
Deferred Revenue	2,771	0	2,771
Total Liabilities	$ 28,398	$ 48,370	$ 76,768
Fund Balances:			
Nonspendable Funds - Prepaid Expenses	$ 10,498	$ 0	$ 10,498
Restricted Funds - Grant Funds	0	0	0
Assigned Fuds - Other Special Revenue Funds	0	69,943	69,943
Unassigned Funds - General Fund	710,326	(274)	710,052
Total Fund Balances	$ 720,824	$ 69,669	$ 790,493
Total Liabilities and Fund Balances	$ 749,222	$ 118,039	$ 867,261

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, 2012

Total Fund Balance - Total Governmental Funds	$	790,493
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.		2,733,950
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		(12,430)
Due in more than one year		(25,039)
Revenues in the Statement of Activities that do not provide current financial resources as revenues in the funds:		
Long-term receivables for deferred revenue		2,771
Net Assets of Governmental Activities	$	3,489,745

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, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes:			
Sales	$ 274,015	$ 0	$ 274,015
Franchise and Insurance	174,222	3,350	177,572
Licenses and Permits	16,885	0	16,885
Intergovernmental Revenues	82,873	48,094	130,967
Charges for Services	146,454	0	146,454
Fines and Forfeitures	23,002	0	23,002
Investment Income	793	0	793
Miscellaneous	28,244	17,424	45,668
Total Revenue	$ 746,488	$ 68,868	$ 815,356
Expenditures:			
Current:			
General Government	$ 111,373	$ 875	$ 112,248
Public Safety	381,937	17,959	399,896
Streets and Maintenance	161,149	10,618	171,767
Culture and Recreation	60,165	48,379	108,544
Debt Service:			
Principal Retirement	0	0	0
Interest Charges	0	0	0
Non-Current:			
Capital Outlay	0	0	0
Total Expenditures	$ 714,624	$ 77,831	$ 792,455
Net Change in Fund Balance	$ 31,864	$ (8,963)	$ 22,901
Other Financing Sources (Uses):			
Proceeds from Long-term Leases	$ 30,393	$ 0	$ 30,393
Reimbursement to Other Governments	0	0	0
Sale of Assets	0	0	0
Transfers In (Out)	848	0	848
Total Other Financing Sources (Uses)	$ 31,241	$ 0	$ 31,241
Net Change in Fund Balance & Other Sources (Uses):	$ 63,105	$ (8,963)	$ 54,142
Fund Balance at Beginning of Year	657,719	78,632	736,351
Fund Balance at End of Year	$ 720,824	$ 69,669	$ 790,493

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, 2012

Net Change in Fund Balances - Total Governmental Funds	$	54,142
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.		43,121
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.		(78,763)
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.		(24,600)
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.		(8,736)
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.		(2,720)
Change in net assets of governmental activities	$	(17,556)

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, 2012

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes	$ 450,200	$ 450,200	$ 448,237	$ (1,963)
Licenses and Permits	15,000	15,000	16,885	1,885
Grants and Receipts from Other Governments	80,000	80,000	82,873	2,873
Charges for Services	153,400	153,400	146,454	(6,946)
Fines and Forfeits	32,000	32,000	23,002	(8,998)
Interest	1,500	1,500	793	(707)
Other	12,100	12,100	35,781	23,681
TOTAL REVENUES	$ 744,200	$ 744,200	$ 754,025	$ 9,825
EXPENDITURES:				
CURRENT:				
General Government	$ 123,800	$ 123,800	$ 111,373	$ 12,427
Public Safety	383,500	383,500	381,937	1,563
Streets and Maintenance	172,300	183,000	161,149	21,851
Culture and Recreation	68,400	68,400	60,165	8,235
Capital Outlay	0	0	0	0
TOTAL EXPENDITURES	$ 748,000	$ 758,700	$ 714,624	$ 44,076
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (3,800)	$ (14,500)	$ 39,401	$ 53,901
OTHER FINANCING SOURCES (USES):				
Proceeds from Long-term Lease Obligations	$ 0	$ 0	$ 10,845	$ 10,845
Reimbursements to Other Governments	0	0	0	0
Sale of Assets	0	0	12,011	12,011
Transfers In/(Out)	800	800	848	48
TOTAL OTHER FINANCING SOURCES (USES)	$ 800	$ 800	$ 23,704	$ 22,904
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ (3,000)	$ (13,700)	$ 63,105	$ 76,805
FUND BALANCE, JULY 1 - ADJUSTED	657,719	657,719	657,719	0
FUND BALANCE, JUNE 30	$ 654,719	$ 644,019	$ 720,824	$ 76,805

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, 2012

ASSETS	WATER AND SEWER FUND	CHILD CARE FUND	TOTAL
CURRENT ASSETS:			
Cash and Cash Investments	$ 234,068	$ 0	$ 234,068
Due from Other Governments	0	2,013	2,013
Current Maturity of Long-term Receivable	4,139	0	4,139
Accounts Receivable	175,870	6,488	182,358
Allowance for Doubtful Accounts	(18,708)	0	(18,708)
Due from Other Funds	4,232	0	4,232
Prepaid Expenses	5,695	922	6,617
TOTAL CURRENT ASSETS	$ 405,296	$ 9,423	$ 414,719
RESTRICTED ASSETS - CURRENT:			
Sinking and Reserve Funds - Cash	$ 198,361	$ 0	$ 198,361
Construction Fund - Cash	30,344	0	30,344
Customer Deposits - Cash	53,538	0	53,538
TOTAL RESTRICTED ASSETS - CURRENT	$ 282,243	$ 0	$ 282,243
NON-CURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT:			
Land/Right of Ways	$ 18,000	$ 0	$ 18,000
Plant Under Construction	$ 0	$ 0	$ 0
Buildings	0	541,112	541,112
Improvements Other than Buildings	12,578,418	0	12,578,418
Machinery and Equipment	363,672	29,041	392,713
Total at Cost before Depreciation	$ 12,942,090	$ 570,153	$ 13,512,243
Less Accumulated Depreciation	2,062,019	186,117	2,248,136
NET PROPERTY, PLANT AND EQUIPMENT	$ 10,880,071	$ 384,036	$ 11,264,107
OTHER ASSETS:			
Bond Issuance Cost - Net of Amortization	152,076	0	152,076
Long-term Receivable	103,254	0	103,254
TOTAL NONCURRENT ASSETS	$ 11,153,401	$ 384,036	$ 11,537,437
TOTAL ASSETS	$ 11,840,940	$ 393,459	$ 12,234,399

See accompanying notes to the basic financial statements.

LIABILITIES	WATER AND SEWER FUND	CHILD CARE FUND	TOTAL
Current Liabilities:			
Notes Payable	$ 220,449	$ 0	$ 220,449
Accounts Payable	15,282	1,717	16,999
Lease Payable	14,666	0	14,666
Accrued Expenses	16,514	9,082	25,596
Due to Other Funds	0	51,937	51,937
Total Current Liabilities Payable from Unrestricted Assets	$ 266,911	$ 62,736	$ 329,647
Current Liabilities Payable from Restricted Assets:			
Accounts Payable and Accrued Revenue Bond Interest	$ 7,418	$ 0	$ 7,418
Current Maturities of Revenue Bonds	80,000	0	80,000
Customer Deposits	53,538	0	53,538
Total Current Liabilities Payable from Restricted Assets	$ 140,956	$ 0	$ 140,956
Long-term Liabilities:			
Revenue Bonds Payable net of Current Maturities	$ 806,478	$ 0	$ 806,478
Note Payable - Net of Current Maturities	4,600,726	0	4,600,726
Accounts & Notes Payable - Projects	0	0	0
Leases Payable Net of Current Maturities	37,929	0	37,929
Total Long-term Liabilities	$ 5,445,133	$ 0	$ 5,445,133
TOTAL LIABILITIES	$ 5,853,000	$ 62,736	$ 5,915,736
NET ASSETS			
Invested in Capital Assets - Net of Related Debt	$ 5,168,167	$ 384,036	$ 5,552,203
Restricted for:			
Bond Debt Service	190,943	0	190,943
Construction	0	0	0
Deposits	0	0	0
Unrestricted	628,830	(53,313)	575,517
TOTAL NET ASSETS	$ 5,987,940	$ 330,723	$ 6,318,663

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, 2012

	Water and Sewer	Child Care Fund	Total
OPERATING REVENUES:			
Charges and Fees (Revenues Securing Debt)	$ 1,006,544	$ 0	$ 1,006,544
Charges and Fees	0	91,864	91,864
Other Revenue	112,620	821	113,441
TOTAL OPERATING REVENUES	$ 1,119,164	$ 92,685	$ 1,211,849
OPERATING EXPENSES:			
Personnel Services	$ 269,332	$ 126,826	$ 396,158
Purchase of Services	37,371	4,832	42,203
Materials and Supplies	167,995	17,031	185,026
Depreciation and Amortization	302,801	13,350	316,151
Utilities	86,973	10,860	97,833
TOTAL OPERATING EXPENSES	$ 864,472	$ 172,899	$ 1,037,371
OPERATING INCOME (LOSS)	$ 254,692	$ (80,214)	$ 174,478
NONOPERATING REVENUES (EXPENSES):			
Interest Income	$ 2,951	$ 0	$ 2,951
Debt Service - Interest Expense	(201,889)	0	(201,889)
Disposal of Assets	0	0	0
Grant - United Way	0	22,708	22,708
Grants:			
Federal	0	20,886	20,886
State Reimbursements for Services	0	13,984	13,984
TOTAL NONOPERATING REVENUES (EXPENSES)	$ (198,938)	$ 57,578	$ (141,360)
INCOME (LOSS) BEFORE TRANSFERS	$ 55,754	$ (22,636)	$ 33,118
TRANSFERS IN/(OUT)	(848)	0	(848)
CHANGE IN NET ASSETS	$ 54,906	$ (22,636)	$ 32,270
NET ASSETS - JULY 1	5,933,034	353,359	6,286,393
NET ASSETS - JUNE 30	$ 5,987,940	$ 330,723	$ 6,318,663

See accompanying to notes to the basic financial statements.

CITY OF CAVE SPRING, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business - Type Activities - Enterprise Funds		
	Water and Sewer Fund	Child Care Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 1,120,895	$ 93,254	$ 1,214,149
Cash payments to supplies for goods and services	(389,142)	(32,515)	(421,657)
Cash payments to employees for services	(270,399)	(126,826)	(397,225)
Cash payments (to) from other funds	165,991	8,723	174,714
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 627,345	$ (57,364)	$ 569,981
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers - in(out)	$ (848)	$ 0	$ (848)
Grants and Contributions	0	57,324	57,324
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	$ (848)	$ 57,324	$ 56,476
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Aquisition and construction of capital assets	$ (33,402)	$ 0	$ (33,402)
Loan Cost	0	0	0
Sale of Equipment	0	0	0
Note Proceeds	19,548	0	19,548
Increase (Decrease) in Construction Debt	0	0	0
Reduction of Bond Debt Principal - Net	(75,000)	0	(75,000)
Reduction of Note Payable Principal	(213,827)	0	(213,827)
Reduction of Accounts Payable for Equipment	0	0	0
Reduction of Lease Contracts - Principal	(14,762)	0	(14,762)
Interest Paid on Bonds and Notes	(197,300)	0	(197,300)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	$ (514,743)	$ 0	$ (514,743)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Long-term Receivable - Net	$ (107,393)	$ 0	$ (107,393)
Interest or Cash and Cash Investments	2,951	0	2,951
NET CASH FLOWS FROM INVESTING ACTIVITIES	$ (104,442)	$ 0	$ (104,442)
INCREASE (DECREASE) IN CASH AND CASH INVESTMENTS	$ 7,312	$ (40)	$ 7,272
CASH AND CASH INVESTMENTS - JULY 1	508,999	40	509,039
CASH AND CASH INVESTMENTS - JUNE 30	$ 516,311	$ 0	$ 516,311

See accompanying notes to the basic financial statements.

CITY OF CAVE SPRING, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	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	$ 254,692	$ (80,214)	$ 174,478
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	291,235	13,350	304,585
Amortization	11,566	0	11,566
Allowance for doubtful accounts	7,532	0	7,532
Change in assests and liabilities:			0
(Increase) Decrease in Accounts Receivable	(6,987)	569	(6,418)
Increase (Decrease) in Accounts Payable	(97,985)	192	(97,793)
(Increase) Decrease in Prepaid Expense	115	16	131
(Increase) Decrease in Payment (to) from Other Funds	165,991	8,723	0 174,714
Increase (Decrease) in Deposits	1,186	0	1,186
Net Cash Provided (Used) by Operating Activities	$ 627,345	$ (57,364)	$ 569,981
Reconciliation of Total Cash and Cash Investments:			
Current Assets - Cash and Cash Investments	$ 234,068	$ 0	$ 234,068
Restricted Assets - Cash and Cash Investments	282,243	0	282,243
Total Cash and Cash Investments	$ 516,311	$ 0	$ 516,311
Non - Cash Transaction:			
Purchase of Equipment			
Cost	$ (33,402)	$ 0	$ (33,402)
Loan Proceeds	19,548	0	19,548
Net Cash Payment	$ (13,854)	$ 0	$ (13,854)

See accompanying notes to the basic financial statements.

CITY OF CAVE SPRING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 $54,906 net of depreciation of $291,235, which is not budgeted.

B. Street repairs and maintenance were financed by operations of the City and $5,368 from the State of Georgia through Floyd County.

C. The Child Care Fund experienced a reduction of net assets of $22,636 of which $13,350 was deducted for depreciation. Depreciation is not a budgeted line item. 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 $39,401 before leases and transfers.

E. The Grant Fund of the Special Revenue Funds resulted in a negative fund balance which will be funded by additional grant proceeds subsequent to the end of the year.

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

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 accumulated leave in Proprietary Fund Types is reflected in the funds financial statements on the accrual basis.

As of June 30, 2012, the General Fund, Water and Sewer Fund, and Child Care Fund were liable for $3,168, $4,402 and $9,082 in accumulated annual and sick leave, respectively.

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

Governmental fund balances are used as follows:

Nonspendable fund balance classification is used for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance is used when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance applies when amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The government's highest level of decision-making authority rests with the Mayor or Council.

Assigned fund balance applies when amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The body or official authorized to assign amounts to a specific purpose is the Mayor or Council.

The fund equity reserves for revenue bond retirement and construction, prepaid items and debt service are also 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:

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 $628,000 to secure the category 3 assets.

The City's deposits are classified as follows at June 30, 2012:

	CATEGORY 1	2	3	BANK BALANCE	CARRYING AMOUNT
Primary Government	$ 704,140	$ 0	$ 482,770	$ 1,186,910	$ 1,172,151

The carrying amount for the reporting entity totaling $1,172,151 includes $282,243 grouped with restricted assets and excludes $156 in petty cash which is not held at financial institutions.

3. CAPITAL ASSETS

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

	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	43,121	27,587	751,138
Improvements	35,310	0	0	35,310
Infrastructure	0	0	0	0
Total	$ 3,952,458	$ 43,121	$ 27,587	$ 3,967,992
Less Accumulated Depreciation:				
Buildings	$ 965,538	$ 54,496	$ 0	$ 1,020,034
Equipment	385,145	23,148	18,851	389,442
Improvements	7,637	1,119	0	8,756
Infrastructure	0	0	0	0
Total	$ 1,358,320	$ 78,763	$ 18,851	$ 1,418,232
Total capital asset being depreciated, net	$ 2,594,138	$ (35,642)	$ 8,736	$ 2,549,760
Governmental Activities Capital Assets, Net	$ 2,778,328	$ (35,642)	$ 8,736	$ 2,733,950
Business-type Activities				
Capital Assets not being depreciated:				
Land	$ 18,000	$ 0	$ 0	$ 18,000
Construction in Process	97,221	0	97,221	0
Capital Assets being depreciated:				
Buildings	$ 541,112	$ 0	$ 0	$ 541,112
Equipment	371,840	20,873	0	392,713
Improvements	0	0	0	0
Infrastructure	12,468,668	109,750	0	12,578,418
Total	$ 13,381,620	$ 130,623	$ 0	$ 13,512,243
Less Accumulated Depreciation				
Buildings	$ 144,034	$ 13,303	$ 0	$ 157,337
Equipment	252,254	18,770	0	271,024
Improvements	0	0	0	0
Infrastructure	1,547,264	272,511	0	1,819,775
Total	$ 1,943,552	$ 304,584	$ 0	$ 2,248,136
Total Capital Assets being depreciated, net	$ 11,438,068	$ (173,961)	$ 0	$ 11,264,107
Business-type Activities Capital Assets, Net	$ 11,553,289	$ (173,961)	$ 97,221	$ 11,282,107

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	$	19,559
Public Safety		35,163
Streets and Maintenance		5,867
Library, Recreation, and Community Center		18,174
Total Depreciation Expense - Governmental Activities	$	78,763
Business-type Activities:		
Water and Sewer	$	291,235
Day Care		13,349
Total Depreciation Expense - Business-Type Activities	$	304,584

4. LONG-TERM DEBT

Water Revenue Bonds

Water revenue bonds issued for improvements to the water system and payable at June 30, 2012 consist of the following:

	Balance 07-01-11	Increase	Decrease	Balance 06-30-12
$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	$ 975,000	$ 0	$ 75,000	$ 900,000
Less Unamortized Discounts on Bond Issuance	(15,453)	0	(1,931)	(13,522)
NET	$ 959,547	$ 0	$ 73,069	$ 886,478

The annual requirements to amortize the above bonds as of June 30, 2012, including interest payments, are as follows:

4. LONG–TERM DEBT – Continued

Date Matures	Principal	Interest	Total
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	0	13,750	13,750
11-01-16	100,000	13,750	113,750
05-01-17	0	11,250	11,250
11-01-17 thru 05-01-21	450,000	46,250	496,250
TOTAL	$ 900,000	$ 216,997	$ 1,116,997
Current Maturities	80,000	42,625	122,625
Long-term Maturities	$ 820,000	$ 174,372	$ 1,239,622

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 $190,943. The amount from bond proceeds reserved for construction funds is $30,344.

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		34,084
Total Required	$	189,084
Actual:		
Sinking Fund Reserves		198,361
Underfunded (Excess) Reserve	$	(9,277)

5. LEASES AND NON-CASH TRANSACTIONS

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

	Balance 07-01-11	Increase	Decrease	Balance 06-30-12
Long-term Debt - General Fund				
Lease payable to financing authority, 3.48% interest, payable $355 monthly, secured by equipment of $19,548	$ 0	$ 19,548	$ 2,109	$ 17,439
Lease payable to financing authority, 3.37% interest, payable $468 monthly, secured by equipment of $21,845	0	10,845	0	10,845
Lease payable to financing authority, 3.96% interest, payable $395 monthly secured by equipment of $18,695	12,869	0	3,684	9,185
Total	$ 12,869	$ 30,393	$ 5,793	$ 37,469
Less amount due currently	3,684	8,746	0	12,430
Net due after 12 months	$ 9,185	$ 21,647	$ 5,793	$ 25,039
Water and Sewer Fund:				
Lease payable to financing authority, 3.77% interest, payable $752 monthly, secured by equipment of $41,053	$ 39,805	$ 0	$ 7,652	$ 32,153
Lease payable to financing authority, 3.48% interest, payable $355 monthly, secured by equipment of $19,548	0	19,548	2,109	17,439
Lease payable to financing authority, 3.72%, payable $434 monthly, secured by equipment of $14,776	8,003	0	5,000	3,003
Total	$ 47,808	$ 19,548	$ 14,761	$ 52,595
Less Amount Due Currently - Water & Sewer	12,652	2,014	0	14,666
Net Due After Twelve Months	$ 35,156	$ 17,534	$ 14,761	$ 37,929

5. LEASES AND NON-CASH TRANSACTIONS (Continued)

Future minimum lease payments together with the net present value of minimum lease payments at June 30, 2012 are as follows:

Year	General Fund	Water & Sewer Fund
2013	$ 13,540	$ 16,325
2014	14,009	13,287
2015	6,109	13,287
2016	4,265	11,783
2017	1,777	1,777
Minimum Lease Payments for Capital Lease	$ 39,700	$ 56,459
Less Amount Representing Interest at the City's Incremental Borrowing Rate	2,231	3,864
Present Value of Minimum Lease Payments	$ 37,469	$ 52,595

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, 2012. 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, 2012 is $564,907. The notes are secured by the system. Changes for the year are as follows:

	Balance 07-01-11	Increase	Decrease	Balance 06-30-12
Note #1 3.07%	$ 538,588	$ 0	$ 44,936	$ 493,652
Note #2 3.86%	75,398	0	4,143	71,255
Total	$ 613,986	$ 0	$ 49,079	$ 564,907
Less Amount Due Currently	49,078	(1,612)	0	50,690
Net Due After Twelve Months	$ 564,908	$ (1,612)	$ 49,079	$ 514,217

7. NOTES PAYABLE (Continued)

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

Note #1:	Payments	Principal	Interest	Total
06-30-13	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
06-30-17	12	52,425	8,444	60,869
07-01-17 to 10-31-21	52	246,930	17,132	264,062
Total	112	$ 493,652	$ 74,755	$ 568,407
Note #2:				
06-30-13	12	$ 4,305	2,838	$ 7,143
06-30-14	12	4,475	2,675	7,150
06-30-15	12	4,649	2,505	7,154
06-30-16	12	4,833	2,331	7,164
06-30-17	12	5,023	2,147	7,170
07-01-17 to 06-30-22	60	28,232	7,734	35,966
07-01-22 to 06-30-25	36	19,738	2,087	21,825
Total	156	$ 71,255	$ 22,317	$ 93,572
Total		564,907	97,072	661,979
Current Maturities		50,690	17,322	68,012
Long-term Maturities		$ 514,217	$ 79,750	$ 593,967

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	# PAYMENTS	PAYMENT	PRINCIPAL	INTEREST
Balance Beginning				
6-30-13	12	$ 295,125	$ 169,759	$ 125,366
6-30-14	12	295,125	174,922	120,203
6-30-15	12	295,125	180,242	114,883
6-30-16	12	295,125	185,725	109,400
6-30-17	12	295,125	191,373	103,752
6-30-18 to 6-30-22	60	1,475,626	1,047,804	427,882
6-30-23 to 6-30-27	60	1,475,626	1,217,145	258,481
6-30-28 to 6-30-31	47	1,155,906	1,089,298	66,608
TOTAL	227	$ 5,582,783	$ 4,256,268	$ 1,326,575
Less Due Currently	12	295,125	169,759	125,366
Net Long-term	215	$ 5,287,658	$ 4,086,509	$ 1,201,209

7. NOTES PAYABLE (Continued)

Changes to the note payable were as follows:

	Balance 07-01-11	Increase	Decrease	Balance 06-30-12
Note, 3%	$ 4,421,016	$ 0	$ 164,748	$ 4,256,268
Less Amount Due Currently	(164,748)	(169,759)	(164,748)	(169,759)
Net Due After Twelve Months	$ 4,256,268	$ (169,759)	$ 0	$ 4,086,509

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 ($848) to the General Fund for expenditures of $848. As of June 30, 2012, interfund receivables or payables were as follows:

FUND	AMOUNT DUE FROM	AMOUNT DUE TO
General Fund	$ 0	$ 47,981
SPLOST Fund	0	(1)
Grant Fund	0	(275)
Water & Sewer Fund	(4,232)	0
Day Care Fund	51,937	0
Total	$ 47,705	$ 47,705

9. DUE TO/FROM OTHER GOVERNMENTS

The amounts due to or from other governments at June 30, 2012, are as follows:

FUND	AMOUNT DUE FROM	AMOUNT DUE TO
General Fund:		
U.S. Treasury	$ 0	$ 0
Georgia Dept of Revenue	0	2,960
Total	$ 0	$ 2,960
Day Care Fund:		
U.S. Government	$ 2,013	$ 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 8.00% of annual covered payroll. This report covers the results of the December 31, 2011 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	$	154,859
Current Employees:		
Employer Financed - Vested		293,048
Employer Financed - Nonvested		33,742
Total Present Value of Accrued Plan Benefits	$	481,649
Net Assets Available for Benefits, at Market Value		407,572
Unfunded (Surplus) Present Value of Accrued Plan Benefits	$	74,077

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, 2011, the estimated minimum annual contribution under these standards was $21,161. 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 $29,799 were made in accordance with contribution requirements by the various departments as follows: $10,887 (General Fund), $11,820 (Water and Sewer Fund), and $7,092 (Child Care Fund). Currently seven (7) retirees or beneficiaries are receiving benefits. The City's annual pension cost of $29,799 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 $259,973. The total contribution consisted of $22,897 normal cost (8.87 percent of covered payroll) and $3,234 amortization of the unfunded actuarial accrued liability (1.24 percent of covered payroll). Total payroll for all funds for the year ended June 30, 2012 is approximately $652,148. The following information was used in arriving at the required annual contribution.

Valuation Date	January 1, 2012
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:

	01-01-12	01-01-11	01-01-10	03-01-09	03-01-08
Net Assets Available for Benefits as a Percentage of Present value of Accrued Plan Benefits to the City's Employees	84.62%	90.38%	89.68%	121.26%	120.42%
City's Contributions to the Pension Plan as a Percentage of the City's Annual Covered Payroll	8.00%	8.45%	6.97%	6.96%	7.22%
Actuarial Value of Plan Assets	$ 524,674	$ 497,053	$ 454,578	$ 398,083	$ 361,166
Actuarial Accrued Liability	$ 520,130	$ 522,571	$ 465,031	$ 414,068	$ 378,793
Unfunded Actuarial Liability or Funding (Excess)	$ (4,544)	$ 25,518	$ 10,453	$ 15,985	$ 17,627
Actuarial value of Assets as a % of Actuarial Accrued Liability	100.87%	95.12%	97.75%	96.14%	95.35%
Annual Covered Payroll	$ 259,973	$ 392,725	$ 401,828	$ 408,596	$ 368,417
Ratio of Unfunded Actuarial Liability or Excess to Annual Covered Payroll	-17.48%	6.50%	2.60%	3.91%	4.78%
Annual Pension Cost	$ 21,161	$ 33,772	$ 28,474	$ 28,430	$ 31,315
% 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 Commission (CVRC). Membership in an CVRC 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 CVRCs. Each county and municipality in the state is required by law to pay minimum annual dues to the CVRC. The City paid annual dues in the amount of $1,200 to the CVRC for the year ended June 30, 2012. The CVRC 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 Board 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 Commission central office in Rome, Georgia.

13. JOINT VENTURE - CONTINUED

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines the regional commissions as "public agencies and instrumentalities of their members." Georgia laws also provide that the member governments are liable for any debts or obligations of a regional commission 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 06-30-11	Net Change	Balance 06-30-12
Cash	$ 13,043	$ 2,441	$ 15,484
Accounts Receivable	396	34	430
Accounts Payable	0	0	0
Total	$ 13,439	$ 2,475	$ 15,914
Revenue		$ 3,350	
Expenditures		875	
Net Revenue over Expenditures		$ 2,475	

Five and 50/100 (5.50) 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, 2012 are as follows:

	WATER AND SEWER	CHILD CARE	TOTAL
Operating Revenues	$ 1,119,164	$ 92,685	$ 1,211,849
Operating Expenses	561,671	159,549	721,220
Operating Income (Loss) before Depreciation	$ 557,493	$ (66,864)	$ 490,629
Depreciation	302,801	13,350	316,151
Operating Income (Loss)	$ 254,692	$ (80,214)	$ 174,478
Non-operating Revenues (Expenses), Net	(198,938)	57,578	(141,360)
Net Income (Loss) before Transfers	$ 55,754	$ (22,636)	$ 33,118
Transfers in (out), Net	(848)	0	(848)
Net Income	$ 54,906	$ (22,636)	$ 32,270
Current Assets	$ 405,296	$ 9,423	$ 414,719
Restricted Assets	282,243	0	282,243
Property, Plant and Equipment, Net	10,898,071	384,036	11,282,107
Other Assets	255,330	0	255,330
Total Assets	$ 11,840,940	$ 393,459	$ 12,234,399
Current Liabilities (Payable from Current Assets)	$ 266,911	$ 62,736	$ 329,647
Current Liabilities (Payable from Restricted Assets)	140,956	0	140,956
Long-term Liabilities	5,445,133	0	5,445,133
Total Liabilities	$ 5,853,000	$ 62,736	$ 5,915,736
Capital Assets	$ 5,168,167	$ 384,036	$ 5,552,203
Restricted	190,943	0	190,943
Unrestricted	628,830	(53,313)	575,517
Net Assets	$ 5,987,940	$ 330,723	$ 6,318,663
Net Working Capital Unrestricted	$ 138,385	$ (53,313)	$ 85,072
Property, Plant and Equipment Additions	$ 130,623	$ 0	$ 130,623
Property, Plant and Equipment Deletions	$ 97,221	$ 0	$ 97,221

15. SEGMENT INFORMATION - ENTERPRISE FUNDS (Continued)

	WATER AND SEWER	CHILD CARE	TOTAL
Cash Provided (Used) by Operating Activities	$ 627,345	$ (57,364)	$ 569,981
Cash Provided (Used) by Non-Capital Financing Activities	(848)	57,324	56,476
Cash Provided (Used) by Capital and Related Financing Activities	(514,743)	0	(514,743)
Cash Provided from Investing Activities	(104,442)	0	(104,442)
Cash - Beginning	508,999	40	509,039
Cash - Ending	$ 516,311	$ 0	$ 516,311

17. RECEIVABLES

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

	Governmental Activities		Business-type Activities	
	Receivable	Allowance	Receivable	Allowance
Accounts Receivable	$ 146,496	$ 5,967	$ 182,358	$ 18,708
Fines and Forfeitures and Other	16,099	8,073	0	0
Total	$ 162,595	$ 14,040	$ 182,358	$ 18,708

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
6/30/2013	$ 0
06-30-13 thru 06-30-14	8,532

19. COMPONENT UNIT – Installment Note Payable:

A building was purchased during the year of 2011 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
6-30-13	$ 5,000	$ 2,754	$ 7,754
6-30-14	5,000	2,417	7,417
6-30-15	5,000	2,079	7,079
6-30-16	25,800	1,742	27,542
TOTAL	$ 40,800	$ 8,992	$ 49,792
Current	5,000	2,754	7,754
Long Term	$ 35,800	$ 6,238	$ 42,038

Changes for the year are as follows:

	Balance 07-01-11	Increase	Decrease	Balance 06-30-12
Note, 6.75%	$ 51,000	$ 0	$ 10,200	$ 40,800
Less Amount Due Currently	5,000	0	0	5,000
Net Due After Twelve Months	$ 46,000	$ 0	$ 10,200	$ 35,800

20. LONG-TERM RECEIVABLE – WATER & SEWER:

A long-term receivable is due from the Georgia Department of Labor for reimbursement of installation of a water line for use by the Georgia Department of Labor offices. The cost of the installation was $109,750 and is payable to the City over 20 years at 3% interest, $608.67 monthly (principal and interest). Payments due are as follows:

	PRINCIPAL	INTEREST - 3%	TOTAL
6-30-13	$ 4,139	$ 3,165	$ 7,304
6-30-14	4,265	3,039	7,304
6-30-15	4,394	2,910	7,304
6-30-16	4,528	2,776	7,304
6-30-17	4,666	2,638	7,304
6-30-18 to 6-30-22	25,546	10,974	36,520
6-30-23 to 6-30-27	29,675	6,845	36,520
6-30-28 to 11-30-31	30,179	2,081	32,260
TOTAL	$ 107,392	$ 34,428	$ 141,820
Current	4,139	3,165	7,304
Long Term	$ 103,253	$ 31,263	$ 134,516

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

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

Grant Fund – to account for funds received and expended applicable to private and government grants awarded to the City

Capital Projects Fund

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

CITY OF CAVE SPRING, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	CAPITAL PROJECTS FUND	SPECIAL REVENUE FUNDS	
	SPLOST FUNDS	HOTEL/MOTEL FUNDS	FIRE DEPT. FUNDS
ASSETS			
Cash	$ 1	$ 15,484	$ 1,087
Accounts Receivable	0	430	0
Due from Other Funds	0	0	0
TOTAL ASSETS	$ 1	$ 15,914	$ 1,087
LIABILITIES AND FUND BALANCE			
Liabilities:			
Account Payables	$ 0	$ 0	$ 0
Due to Other Funds	1	0	0
Total Liabilities	$ 1	$ 0	$ 0
Fund Balance:			
Assigned Funds	$ 0	15,914	1,087
Unassigned Funds	0	0	0
Total Fund Balances	$ 0	$ 15,914	$ 1,087
TOTAL LIABILITIES AND AND FUND BALANCE	$ 1	$ 15,914	$ 1,087

SPECIAL REVENUE FUNDS				
DOWNTOWN DEVELOPMENT AUTHORITY	CONFISCATED PROPERTY FUNDS	CEMETERY PERPETUAL CARE FUND	GRANT FUND	TOTAL OTHER GOVERNMENTAL FUNDS
$ 0	$ 4,689	$ 48,253	$ 1	$ 69,515
0	0	0	48,094	48,524
0	0	0	0	0
$ 0	$ 4,689	$ 48,253	$ 48,095	$ 118,039
$ 0	$ 0	$ 0	$ 48,093	$ 48,093
0	0	0	276	277
$ 0	$ 0	$ 0	$ 48,369	$ 48,370
0	4,689	48,253	$ 0	$ 69,943
0	0	0	(274)	(274)
$ 0	$ 4,689	$ 48,253	$ (274)	$ 69,669
$ 0	$ 4,689	$ 48,253	$ 48,095	$ 118,039

CITY OF CAVE SPRING, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	CAPITAL PROJECTS FUND	SPECIAL REVENUE FUNDS	
	SPLOST FUNDS	HOTEL/MOTEL FUNDS	FIRE DEPT. FUNDS
REVENUES:			
Intergovernmental:			
Federal/State	$ 0	$ 0	$ 0
Other Funds	0	3,350	0
Other Funds - Sales Tax - SPLOST	0	0	0
TOTAL REVENUES	$ 0	$ 3,350	$ 0
EXPENDITURES:			
General Government	$ 0	$ 875	$ 0
Public Safety	0	0	535
Streets and Maintenance	0	0	0
Culture/Recreation	0	0	0
TOTAL EXPENDITURES	$ 0	$ 875	$ 535
NET CHANGE IN FUND BALANCE	$ 0	$ 2,475	$ (535)
OTHER FINANCING SOURCES (USES):			
Transfers In/(Out)	0	0	0
NET CHANGE IN FUND BALANCE AND OTHER SOURCES (USES)	$ 0	$ 2,475	$ (535)
FUND BALANCE - BEGINNING	0	13,439	1,622
FUND BALANCE - ENDING	$ 0	$ 15,914	$ 1,087

SPECIAL REVENUE FUNDS				
DOWNTOWN DEVELOPMENT AUTHORITY	CONFISCATED PROPERTY FUNDS	CEMETERY PERPETUAL CARE FUND	GRANT FUND	TOTAL OTHER GOVERNMENTAL FUNDS
$ 0	$ 0	$ 0	$ 65,518	$ 65,518
0	0	0	0	3,350
0	0	0	0	0
$ 0	$ 0	$ 0	$ 65,518	$ 68,868
$ 0	$ 0	$ 0	$ 0	$ 875
0	0	0	17,424	17,959
0	0	10,618	0	10,618
11	0	0	48,368	48,379
$ 11	$ 0	$ 10,618	$ 65,792	$ 77,831
$ (11)	$ 0	$ (10,618)	$ (274)	$ (8,963)
0	0	0	0	0
$ (11)	$ 0	$ (10,618)	$ (274)	$ (8,963)
11	4,689	58,871	0	78,632
$ 0	$ 4,689	$ 48,253	$ (274)	$ 69,669

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

Special Revenue

And

Capital Project

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

CAPITAL PROJECTS FUND

	2012				2011
	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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2011				2011
	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	4,000	4,000	3,350	(650)	3,905
TOTAL REVENUES	$ 4,000	$ 4,000	$ 3,350	$ (650)	$ 3,905
EXPENDITURES:					
General Government	$ 1,000	$ 1,000	$ 875	$ 125	$ 895
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	$ 875	$ 125	$ 895
EXCESS OF REVENUES OVER EXPENDITURES	$ 3,000	$ 3,000	$ 2,475	$ (525)	$ 3,010
OTHER FINANCING SOURCES (USES):					
Transfers In/(Out)	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	$ 3,000	$ 3,000	$ 2,475	$ (525)	$ 3,010
FUND BALANCE - BEGINNING	13,439	13,439	13,439	0	10,429
FUND BALANCE - ENDING	$ 16,439	$ 16,439	$ 15,914	$ (525)	$ 13,439

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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012				2011
	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	535	1,087	0
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	$ 535	$ 1,087	$ 0
EXCESS OF REVENUES OVER EXPENDITURES	$ (1,622)	$ (1,622)	$ (535)	$ 1,087	$ 0
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)	$ (535)	1,087	$ 0
FUND BALANCE - BEGINNING	1,622	1,622	1,622	0	1,622
FUND BALANCE - ENDING	$ 0	$ 0	$ 1,087	$ 1,087	$ 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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012				2011
	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	11	11	11	0	50
Capital Outlay	0	0	0	0	0
TOTAL EXPENDITURES	$ 11	$ 11	$ 11	$ 0	$ 50
EXCESS OF REVENUES OVER EXPENDITURES	$ (11)	$ (11)	$ (11)	$ 0	$ (50)
OTHER FINANCING SOURCES (USES):					
Transfers In/(Out)	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	$ (11)	$ (11)	$ (11)	$ 0	$ (50)
FUND BALANCE - BEGINNING	11	11	11	0	61
FUND BALANCE - ENDING	$ 0	$ 0	$ 0	$ 0	$ 11

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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012				2011
	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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012				2011
	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	247
Other Funds - Taxes	0	0	0	0	0
TOTAL REVENUES	$ 0	$ 0	$ 0	$ 0	$ 247
EXPENDITURES:					
General Government	$ 0	$ 0	$ 0	$ 0	$ 0
Public Safety	0	0	0	0	0
Streets and Maintenance	58,871	58,871	10,618	48,253	0
Culture and Recreation	0	0	0	0	0
Capital Outlay	0	0	0	0	0
TOTAL EXPENDITURES	$ 58,871	$ 58,871	$ 10,618	$ 48,253	$ 0
EXCESS OF REVENUES OVER EXPENDITURES	$ (58,871)	$ (58,871)	$ (10,618)	$ 48,253	$ 247
OTHER FINANCING SOURCES (USES):					
Transfers In/(Out)	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	$ (58,871)	$ (58,871)	$ (10,618)	$ 48,253	$ 247
FUND BALANCE - BEGINNING	58,871	58,871	58,871	0	58,624
FUND BALANCE - ENDING	$ 0	$ 0	$ 48,253	$ 48,253	$ 58,871

CITY OF CAVE SPRING, GEORGIA
SPECIAL REVENUE FUND - GRANT FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012				2011
	Budgeted Amounts		Actual GAAP Basis	Variance With Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
REVENUES:					
Intergovernmental:					
Federal/State	$ 91,403	$ 91,403	$ 48,093	$ (43,310)	$ 0
Other Funds	0	0	0	0	0
Other Funds - Taxes	17,425	17,425	17,425	0	0
TOTAL REVENUES	$ 108,828	$ 108,828	$ 65,518	$ (43,310)	$ 0
EXPENDITURES:					
General Government	$ 0	$ 0	$ 0	$ 0	$ 0
Public Safety	17,425	17,425	17,424	1	0
Streets and Maintenance	0	0	0	0	0
Culture and Recreation	91,403	91,403	48,368	43,035	0
Capital Outlay	0	0	0	0	0
TOTAL EXPENDITURES	$ 108,828	$ 108,828	$ 65,792	$ 43,036	$ 0
EXCESS OF REVENUES OVER EXPENDITURES	$ 0	$ 0	$ (274)	$ (274)	$ 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	$ (274)	$ (274)	$ 0
FUND BALANCE - BEGINNING	0	0	0	0	0
FUND BALANCE - ENDING	$ 0	$ 0	$ (274)	$ (274)	$ 0

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, 2012 AND 2011

	2012	2011
ASSETS		
Cash	$ 261,065	$ 389,288
Investments - Cash	325,416	324,735
Accounts Receivable - Net	41,775	42,346
Other Receivables	58,256	59,613
Prepaid Expenses	10,498	12,094
Internal Balances	52,212	43,214
TOTAL ASSETS	$ 749,222	$ 871,290
LIABILITIES		
Liabilities:		
Accounts Payable	$ 15,268	$ 24,238
Accrued Expenses	3,168	5,471
Internal Balances	4,231	170,222
Due to Other Governments	2,960	8,149
TOTAL LIABILITIES	$ 25,627	$ 208,080
DEFERRED REVENUE - NET	$ 2,771	$ 5,491
FUND EQUITY		
Fund Balance:		
Nonspendable - Prepaid Expenses	$ 10,498	$ 12,094
Unassigned	710,326	645,625
TOTAL FUND EQUITY	$ 720,824	$ 657,719
TOTAL LIABILITIES AND FUND EQUITY	$ 749,222	$ 871,290

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, 2012
WITH COMPARATIVE ACTUAL TOTALS FOR 2011

	2012				2011
	Budgeted Amounts			Variance With Final Budget Positive	
	Original	Final	Actual	(Negative)	Actual
REVENUES:					
Taxes	$ 450,200	$ 450,200	$ 448,237	$ (1,963)	$ 437,329
Licenses and Permits	15,000	15,000	16,885	1,885	12,568
Grants and Receipts from Other Governments	80,000	80,000	82,873	2,873	87,837
Charges for Services	153,400	153,400	146,454	(6,946)	150,144
Fines and Forfeits	32,000	32,000	23,002	(8,998)	32,826
Interest	1,500	1,500	793	(707)	1,244
Other	12,100	12,100	35,781	23,681	1,066
TOTAL REVENUES	$ 744,200	$ 744,200	$ 754,025	$ 9,825	$ 723,014
EXPENDITURES:					
CURRENT:					
General Government	$ 123,800	$ 123,800	$ 111,373	$ 12,427	$ 115,664
Public Safety	383,500	383,500	381,937	1,563	379,088
Streets and Maintenance	172,300	183,000	161,149	21,851	147,082
Culture and Recreation	68,400	68,400	60,165	8,235	53,402
Capital Outlay	0	0	0	0	0
TOTAL EXPENDITURES	$ 748,000	$ 758,700	$ 714,624	$ 44,076	$ 695,236
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (3,800)	$ (14,500)	$ 39,401	$ 53,901	$ 27,778
OTHER FINANCING SOURCES (USES):					
Proceeds from Long-term Lease Obligations	$ 0	$ 0	$ 10,845	$ 10,845	$ 0
Contributions from(to) Other Governments	0	0	0	0	0
Sale of Assets	0	0	12,011	12,011	0
Transfers In/(Out)	800	800	848	48	(13,318)
TOTAL OTHER FINANCING SOURCES (USES)	$ 800	$ 800	$ 23,704	$ 22,904	$ (13,318)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ (3,000)	$ (13,700)	$ 63,105	$ 76,805	$ 14,460
FUND BALANCE, JULY 1	657,719	657,719	657,719	0	643,259
FUND BALANCE, JUNE 30	$ 654,719	$ 644,019	$ 720,824	$ 76,805	$ 657,719

CITY OF CAVE SPRING, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET (GAAP) AND ACTUAL
YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL TOTALS FOR 2011

	2012				2011
	Budgeted Amounts			Variance With Final Budget Positive	
	Original	Final	Actual	(Negative)	Actual
Taxes and Franchise Fees:					
Franchise	$ 88,200	$ 88,200	$ 90,595	$ 2,395	$ 89,185
Insurance	54,000	54,000	56,285	2,285	52,486
Sales Taxes- General	277,500	277,500	274,015	(3,485)	267,654
Beer and Wine	25,000	25,000	22,921	(2,079)	22,887
Taxes and Licenses	5,500	5,500	4,421	(1,079)	5,117
Total Taxes and Franchise Fees	$ 450,200	$ 450,200	$ 448,237	$ (1,963)	$ 437,329
Charges for Services:					
Business Licenses	$ 15,000	$ 15,000	$ 16,885	$ 1,885	$ 12,568
Garbage Fees	70,500	70,500	67,096	(3,404)	69,236
Fines and Forteitures	32,000	32,000	23,002	(8,998)	32,826
Fire Fees	67,500	67,500	64,649	(2,851)	66,009
Cemetery	4,000	4,000	6,780	2,780	2,630
Community Center	8,000	8,000	4,485	(3,515)	5,057
Rental	3,400	3,400	3,444	44	7,212
Total Charges for Services	$ 200,400	$ 200,400	$ 186,341	$ (14,059)	$ 195,538
Other Revenue:					
County Government	$ 80,000	$ 80,000	$ 82,873	$ 2,873	$ 80,000
Investment Income	1,500	1,500	793	(707)	1,244
Other Income	12,100	12,100	35,781	23,681	8,903
Total Other Revenue	$ 93,600	$ 93,600	$ 119,447	$ 25,847	$ 90,147
Total Revenues	$ 744,200	$ 744,200	$ 754,025	$ 9,825	$ 723,014

CITY OF CAVE SPRING, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012				2011
	Budgeted Amounts		Actual	Variance With Final Budget Positive	Actual GAAP
	Original	Final	Amounts	(Negative)	Basis
General Government and Administration					
Salaries and Taxes	$ 36,150	$ 37,350	$ 36,149	$ 1,201	$ 35,229
Pension	3,300	3,800	3,715	85	2,847
Insurance	16,350	16,350	15,574	776	13,559
Professional Fees	10,500	10,500	7,633	2,867	7,964
Utilities and Telephone	36,500	34,000	30,264	3,736	38,599
Supplies	16,500	17,000	14,988	2,012	15,191
Training and Travel	3,500	3,800	3,050	750	2,275
Capital	1,000	1,000	0	1,000	0
Total General Government	$ 123,800	$ 123,800	$ 111,373	$ 12,427	$ 115,664
Public Safety:					
Police Department:					
Salaries and Taxes	$ 142,500	$ 141,550	$ 139,464	$ 2,086	$ 141,859
Pension	6,000	7,500	7,430	70	5,980
Insurance	34,700	31,700	30,594	1,106	34,726
Supplies and Court Fees	17,900	20,050	14,042	6,008	13,794
Capital	0	0	22,910	(22,910)	8,311
Training and Travel	1,000	1,300	1,285	15	320
Auto	25,500	25,500	19,490	6,010	22,603
Total	$ 227,600	$ 227,600	$ 235,215	$ (7,615)	$ 227,593
Fire Department:					
Salaries and Taxes	$ 101,850	$ 101,950	$ 100,493	$ 1,457	$ 102,346
Pension	0	0	0	0	0
Insurance	9,500	9,500	9,040	460	11,093
Supplies	14,750	15,350	10,943	4,407	7,681
Training and Travel	950	950	146	804	0
Capital	4,150	4,150	4,128	22	4,128
Auto	11,500	11,500	9,362	2,138	13,352
Utilities and Telephone	13,200	12,500	12,610	(110)	12,895
Total	$ 155,900	$ 155,900	$ 146,722	$ 9,178	$ 151,495
Total Public Safety	$ 383,500	$ 383,500	$ 381,937	$ 1,563	$ 379,088

CITY OF CAVE SPRING, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

	2012				2011
	Budgeted Amounts		Actual	Variance With Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	GAAP Basis
Streets and Maintenance:					
Salaries and Taxes	$ 76,400	$ 79,900	$ 72,735	$ 7,165	$ 64,849
Pension	2,000	3,800	3,715	85	1,708
Insurance	22,400	21,400	21,488	(88)	18,503
Auto	18,000	19,200	18,740	460	16,309
Supplies and Paving	35,000	42,200	28,964	13,236	28,916
Training and Travel	1,000	0	0	0	973
Waste Tipping Fees	13,500	13,500	13,019	481	13,824
Capital	4,000	3,000	2,488	512	2,000
Total	$ 172,300	$ 183,000	$ 161,149	$ 21,851	$ 147,082
Culture, Library and Recreation:					
Library:					
Contribution	$ 20,100	$ 20,100	$ 20,004	$ 96	$ 20,004
Utilities and Telephone	10,000	8,100	7,742	358	8,288
Insurance	1,300	1,200	1,185	15	1,430
Supplies	2,100	4,100	3,981	119	351
DDA	17,700	17,700	17,711	(11)	13,465
Community Center	17,200	17,200	9,542	7,658	9,864
Total	$ 68,400	$ 68,400	$ 60,165	$ 8,235	$ 53,402
Total	$ 748,000	758,700	$ 714,624	$ 44,076	$ 695,236

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, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and Cash Investments	$ 234,068	$ 220,673
Current Portion of Long-term Receivable	4,139	0
Accounts Receivable	175,870	168,883
Allowance for Doubtful Accounts	(18,708)	(11,176)
Due from Other Funds	4,232	170,223
Prepaid Expenses	5,695	5,810
TOTAL CURRENT ASSETS	$ 405,296	$ 554,413
RESTRICTED ASSETS - CURRENT:		
Sinking and Reserve Funds - Cash	$ 198,361	$ 195,573
Construction Fund - Cash	30,344	40,400
Customer Deposits - Cash	53,538	52,353
TOTAL RESTRICTED ASSETS - CURRENT	$ 282,243	$ 288,326
PROPERTY, PLANT AND EQUIPMENT:		
Land/Right of Ways	$ 18,000	$ 18,000
Plant Under Construction	0	97,221
Improvements Other than Buildings	12,578,418	12,468,668
Machinery and Equipment	363,672	342,799
Total at Cost	$ 12,942,090	$ 12,908,688
Less Accumulated Depreciation	2,062,019	1,770,784
NET PROPERTY, PLANT AND EQUIPMENT	$ 10,880,071	$ 11,137,904
OTHER ASSETS:		
Long-term Receivable Less Due Currenty	$ 103,254	$ 0
Bond Issuance Cost - Net of Amortization	152,076	161,711
TOTAL ASSETS	$ 11,840,940	$ 12,160,354
LIABILITIES		
Current Liabilities:		
Notes Payable	$ 220,449	$ 213,826
Accounts Payable	15,282	112,200
Lease Payable	14,666	12,652
Accrued Expenses	16,514	12,598
Due to Other Funds	0	0
Total Current Liabilities Payable from Unrestricted Assets	$ 266,911	$ 351,276
Current Liabilities Payable from Restricted Assets:		
Accounts Payable - Construction	$ 0	$ 0
Accrued Revenue Bond Interest	7,418	7,812
Current Maturities of Revenue Bonds	80,000	75,000
Customer Deposits	53,538	52,353
Total Current Liabilities Payable from Restricted Assets	$ 140,956	$ 135,165
Total Current Liabilities	$ 407,867	$ 486,441
Long-term Liabilities:		
Revenue Bonds Payable - Net of Current Maturities	$ 806,478	$ 884,547
Note Payable - Net of Current Maturities	4,600,726	4,821,176
Lease Payable - Net of Current Maturities	37,929	35,156
Total Long-term Liabilities	$ 5,445,133	$ 5,740,879
TOTAL LIABILITIES	$ 5,853,000	$ 6,227,320
NET ASSETS		
Invested in Capital Assets - Net of Related Debt	$ 5,168,167	$ 5,153,947
Restricted for:		
Bond Debt Service	190,943	187,761
Construction	0	0
Deposits Payable	0	0
Unreserved	628,830	591,326
TOTAL NET ASSETS	$ 5,987,940	$ 5,933,034

CITY OF CAVE SPRING, GEORGIA
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES:		
Charges and Fees	$ 1,006,544	$ 1,003,091
Other Revenue	112,620	7,908
TOTAL OPERATING REVENUES	$ 1,119,164	$ 1,010,999
OPERATING EXPENSES:		
Personnel Services	$ 269,332	$ 281,094
Purchase of Services	37,371	34,050
Materials and Supplies	167,995	158,436
Depreciation	302,801	216,503
Utilities	86,973	86,619
TOTAL OPERATING EXPENSES	$ 864,472	$ 776,702
OPERATING INCOME (LOSS)	$ 254,692	$ 234,297
NONOPERATING REVENUES (EXPENSES):		
Interest Income	$ 2,951	$ 1,822
Debt Service - Interest Expense	(201,889)	(113,456)
Disposal of Assets - Net	0	0
Grants:		
Federal	0	13,183
State	0	0
TOTAL NONOPERATING REVENUES (EXPENSES)	$ (198,938)	$ (98,451)
INCOME (LOSS) BEFORE TRANSFERS	$ 55,754	$ 135,846
TRANSFERS IN/(OUT)	(848)	(1,682)
CHANGE IN NET ASSETS	$ 54,906	$ 134,164
NET ASSETS - JULY 1	5,933,034	5,798,870
NET ASSETS - JUNE 30	$ 5,987,940	$ 5,933,034

CITY OF CAVE SPRING, GEORGIA
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 1,120,895	$ 1,012,849
Cash payments to supplies for goods and services	(389,142)	(183,336)
Cash payments to employees for services	(270,399)	(281,093)
Cash payments (to) from other funds	165,991	(232,135)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 627,345	$ 316,285
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers - in(out)	$ (848)	$ (1,683)
Grants and Contributions	0	0
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	$ (848)	$ (1,682)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Aquisition and construction of capital assets	$ (33,402)	$ (2,081,777)
(Decrease)/Increase in Construction Debt	0	(586,184)
Grants and Contributions Received	0	0
Loan Cost	0	(144,794)
Proceeds from Sale of Equipment	0	13,183
Note Proceeds	19,548	2,187,184
Transfers - in (Out)	0	0
Reduction of Bond Debt Principal - Net	(75,000)	(75,000)
Reduction of Note Payable Principal	(213,827)	(61,097)
Reduction of Lease Contracts - Principal	(14,762)	(7,395)
Interest Paid on Bonds and Notes	(197,300)	(113,021)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING FINANCES	$ (514,743)	$ (868,901)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Long-term Receivable - Net	$ (107,393)	$ 0
Interest on Cash and Cash Investments	2,951	1,821
NET CASH FLOWS FROM INVESTING ACTIVITIES	$ (104,442)	$ 1,821
INCREASE (DECREASE) IN CASH AND CASH INVESTMENTS	$ 7,312	$ (552,477)
CASH AND CASH INVESTMENTS - JULY 1	508,999	1,061,476
CASH AND CASH INVESTMENTS - JUNE 30	$ 516,311	$ 508,999

CITY OF CAVE SPRING, GEORGIA
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Reconciliation of Income (Loss) from operations to net cash provided (used) by operating activities:		
Income (Loss) from operations	$ 254,692	$ 234,297
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	291,235	212,177
Amortization	11,566	4,326
Allowance for doubtful accounts	7,532	640
Change in assests and liabilities:		
(Increase) in Accounts Receivable	(6,987)	2,108
Increase (Decrease) in Accounts Payable and Accruals	(97,985)	95,040
(Increase) Decrease in Prepaid Expense	115	729
(Increase) Decrease in Payment (to) from other funds	165,991	(232,135)
Increase (Decrease) in Deposits	1,186	(899)
Net Cash Provided (Used) by Operating Activities	$ 627,345	$ 316,283
Reconciliation of Total Cash and Cash Investments:		
Current Assets - Cash and Cash Investments	$ 234,068	$ 220,673
Restricted Assets - Cash and Cash Investments	282,243	288,326
Total Cash and Cash Investments	$ 516,311	$ 508,999
NON CASH TRANSACTION		
Purchase of Equipment:		
Cost	$ (33,402)	$ (2,226,570)
Loan Proceeds	19,548	2,187,184
Net Cash Payment	$ (13,854)	$ (39,386)

CITY OF CAVE SPRING, GEORGIA
CHILD CARE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and Cash Investments	$ 0	$ 40
Due from Other Governments	2,013	1,759
Accounts Receivable	6,488	7,057
Due from Other Funds	0	0
Prepaid Expenses	922	938
TOTAL CURRENT ASSETS	$ 9,423	$ 9,794
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	186,117	172,767
NET PROPERTY, PLANT AND EQUIPMENT	$ 384,036	$ 397,386
TOTAL ASSETS	$ 393,459	$ 407,180
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 1,717	$ 2,228
Accrued Expenses	9,082	8,379
Due to Other Funds	51,937	43,214
Total Current Liabilities	$ 62,736	$ 53,821
TOTAL LIABILITIES	$ 62,736	$ 53,821
NET ASSETS		
Invested in Capital Assets - Net of Related Debt	$ 384,036	$ 397,386
Restricted	0	0
Unrestricted	(53,313)	(44,027)
TOTAL NET ASSETS	$ 330,723	$ 353,359

CITY OF CAVE SPRING, GEORGIA
CHILD CARE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES:		
Charges and Fees	$ 91,864	$ 124,753
Other Revenue	821	0
TOTAL OPERATING REVENUES	$ 92,685	$ 124,753
OPERATING EXPENSES:		
Personnel Services	$ 126,826	$ 169,257
Purchase of Services	4,832	3,789
Materials and Supplies	17,031	22,631
Depreciation	13,350	14,483
Utilities	10,860	11,689
TOTAL OPERATING EXPENSES	$ 172,899	$ 221,849
OPERATING INCOME (LOSS)	$ (80,214)	$ (97,096)
NONOPERATING REVENUES (EXPENSES):		
Interest Income	$ 0	$ 0
Contributions	22,708	26,114
Grants:		
Federal	20,886	26,387
State	13,984	19,869
TOTAL NONOPERATING REVENUES (EXPENSES)	$ 57,578	$ 72,370
INCOME (LOSS) BEFORE TRANSFERS	$ (22,636)	$ (24,726)
TRANSFERS IN/(OUT)	0	15,000
CHANGE IN NET ASSETS	$ (22,636)	$ (9,726)
NET ASSETS - JULY 1	353,359	363,085
NET ASSETS - JUNE 30	$ 330,723	$ 353,359

CITY OF CAVE SPRING, GEORGIA
CHILD CARE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 93,254	$ 124,248
Cash payments to supplies for goods and services	(32,515)	(37,068)
Cash payments to employees for services	(126,826)	(168,357)
Cash payments (to) from other funds	8,723	(6,412)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (57,364)	$ (87,589)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers - in	$ 0	$ 15,000
Grants and Contributions	57,324	72,624
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	$ 57,324	$ 87,624
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	$ (40)	$ 35
CASH AND CASH INVESTMENTS - JULY 1	40	5
CASH AND CASH INVESTMENTS - JUNE 30	0	40

CITY OF CAVE SPRING, GEORGIA
CHILD CARE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2012

	2012	2011
Reconciliation of Income (Loss) from operations to net cash provided (used) by operating activities:		
Income (Loss) from operations	$ (80,214)	$ (97,096)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	13,350	14,483
Change in assests and liabilities:		
(Increase) Decrease in Accounts Receivable - Customers	569	(505)
Increase (Decrease) in Accounts Payable and Accrued Expenses	192	1,013
(Increase) Decrease in Prepaid Expense	16	928
(Increase) Decrease in Payment (to) from other funds	8,723	(6,412)
Net Cash Provided (Used) by Operating Activities	$ (57,364)	$ (87,589)
Reconciliation of Total Cash and Cash Investments:		
Current Assets - Cash and Cash Investments	$ 0	$ 40
Restricted Assets - Cash and Cash Investments	0	0
Total Cash and Cash Investments	$ 0	$ 40

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, 2012

	General
Assets	
Cash and Cash Investments	$ 4,591
Total Assets	$ 4,591
Liabilities and Fund Balance	
Liabilities	$ 0
Total Liabilities	$ 0
Fund Balances:	
Unassigned	4,591
Total Fund Balances	$ 4,591
Total Liabilities and Fund Balances	$ 4,591

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, 2012

Total DDA Fund Balance	$	4,591
Amounts Reported for Governmental Activities in the Statements of Net Assets - Differences:		
Capital Assets used in governmental activities are not current financial resources, and therefore, not reported in the DDA Governmental Fund Balance Sheet		60,623
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the governmental fund Balance Sheet		(40,800)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	24,414

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, 2012

	General
Revenues:	
Miscellaneous and Fund Raising	$ 31,330
Total Revenue	$ 31,330
Expenditures:	
Current:	
Culture and Recreation	$ 30,080
Non-Current:	
Capital Outlay	0
Total Expenditures	$ 30,080
Net Change in Fund Balance	$ 1,250
Other Financing Sources (Uses):	
Proceeds from Long-term Leases	$ 0
Transfers In (Out)	0
Total Other Financing Sources (Uses)	$ 0
Net Change in Fund Balance and Other Sources (Uses)	$ 1,250
Fund Balance at Beginning of Year	3,341
Fund Balance at End of Year	$ 4,591

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, 2012

Net Change in Fund Balances - General Fund	$	1,250
Amounts Reported for Governmental Activities in Statement of Activities - Differences:		
Reduction of Long Term Debt	$	10,200
Depreciation		(1,783)
Total	$	8,417
Change in net assets of Governmental Activities	$	9,667

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, 2012

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Other	$ 32,000	$ 32,000	$ 31,330	$ (670)
TOTAL REVENUES	$ 32,000	$ 32,000	$ 31,330	$ (670)
EXPENDITURES:				
CURRENT:				
Culture and Recreation	$ 32,000	$ 32,000	$ 30,080	$ 1,920
Capital Outlay	0	0	0	0
TOTAL EXPENDITURES	$ 32,000	$ 32,000	$ 30,080	$ 1,920
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 0	$ 0	$ 1,250	$ 1,250
OTHER FINANCING SOURCES (USES):				
Proceeds from Long-term Lease Obligations	$ 0	$ 0	$ 0	$ 0
Sale of Assets	0	0	0	0
Transfers In/(Out)	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	$ 0	$ 0	$ 0	$ 0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ 0	$ 0	$ 1,250	$ 1,250
FUND BALANCE, JULY 1	3,341	3,341	3,341	0
FUND BALANCE, JUNE 30	$ 3,341	$ 3,341	$ 4,591	$ 1,250

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, 2012, which collectively comprise City of Cave Spring, Georgia's basic financial statements and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of City of Cave Spring, Georgia, is responsible for establishing and maintaining effective 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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

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.

Fleming & Associates CPAs, P.C.

Rome, Georgia
November 28, 2012

CITY OF CAVE SPRING, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -SEE NOTE B
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT
FEDERAL EMERGENCY MANAGEMENT (FEMA)			
PASS-THROUGH GEORGIA EMA:			
Debri Removal Assistance	99.999	1973-DR-GA	$ 24,591
U. S. DEPARTMENT OF AGRICULTURE			
PASS-THROUGH STATE DEPARTMENT OF EDUCATION:			
Adult and Child Care Food Program	10.558	C12-115-04019	$ 15,671
Adult and Child Care Food Program	10.558	C11-115-04019	5,215
TOTAL DEPARTMENT OF AGRICULTURE			$ 20,886
TOTAL FEDERAL ASSISTANCE			$ 45,477

Note A - Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Cave Spring, Georga 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.

The accompanying notes are an integral part of this statement.

CASH AT 06-30-11	REVENUES	EXPENDI-TURES	CASH AT 06-30-12
$ 0	$ 24,591	$ 24,591	$ 0
$ 0	$ 15,671	$ 15,671	$ 0
0	5,215	5,215	0
$ 0	$ 20,886	$ 20,886	$ 0
$ 0	$ 45,477	$ 45,477	$ 0

The accompanying notes are an integral part of this statement.

CITY OF CAVE SPRING, GEORGIA
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT
Georgia Department of Transportation:			
Trailway Grant	N/A	N/A	91,403
TOTAL STATE ASSISTANCE			$ 91,403

The accompanying notes are an integral part of this statement.

CASH AT 07-01-11	REVENUES	EXPENDI-TURES	CASH AT 06-30-12
0	48,094	48,094	0
$ 0	$ 48,094	$ 48,094	$ 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. The information in this schedule is presented in accordance with the requirements of Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

FINNEY & ASSOCIATES CPA'S, P.C.

Certified Public Accountants

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

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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, 2012. 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, 2012, in conformity with accounting principles generally accepted in the United States of America.

Finney & Associates CPAs, P.C.

Rome, Georgia
November 28, 2012

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CITY OF CAVE SPRING, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL SALES TAX PROCEEDS
JUNE 30, 2012

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.