CITY OF CENTERVILLE, GEORGIA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

NICHOLS, CAULEY & ASSOCIATES, LLC
Certified Public Accountants
Certified Financial Planners™
Certified Internal Auditors
Certified Government Auditing Professionals
Certified Valuation Analysts
Financial and Business Development Advisors

CITY OF CENTERVILLE, GEORGIA
ANNUAL FINANCIAL REPORT

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I. FINANCIAL SECTION

- **INDEPENDENT AUDITOR'S REPORT**
- **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**
- **BASIC FINANCIAL STATEMENTS**
- **REQUIRED SUPPLEMENTARY INFORMATION**
- **COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

NICHOLS, CAULEY & ASSOCIATES, LLC
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Certified Government Auditing Professionals
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council
City of Centerville, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Centerville, Georgia, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City of Centerville's nonmajor governmental funds presented in the accompanying combining and individual fund statements and schedules as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the City of Centerville, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Centerville, Georgia, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City of Centerville, as of June 30, 2011, and the respective changes in financial position and accompanying budgetary comparisons, where applicable, thereof for the year then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2012, on our consideration of the City of Centerville, Georgia's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 3 through 10 and the Schedule of Funding Progress on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In the conduct of our audit, we verified and tested expenditures of each project constructed or under construction, which were identified in the resolution or ordinance calling for imposition of the special sales and use tax authorized by OCGA, Section 48-8-110. The accompanying Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds on page 54 lists each identified project and contains the information required by OCGA, Section 48-8-121. In our opinion this Schedule presents fairly the original estimated cost of each project, expenditures incurred and the estimated percentage of completion of each project through June 30, 2011, the end of the fiscal year covered by this audit.

Nichols, Cauley & Associates, LLC

Warner Robins, Georgia

May 9, 2012

Our discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please review in conjunction with the City's financial statements.

REVIEWING THE ANNUAL REPORT

The annual report covers multiple financial statements. The Statement of Net Assets and the Statement of Activities supply data about the activities of the City as a whole and provide information regarding the City's finances. For government activities, these statements provide long-term and short-term information about the City's overall status. Financial reporting is similar to that found in the private sector with its basis in full accrual accounting. Fund financial statements show City operations in more detail than government-wide statements, as they provide information about the City's most important funds.

FINANCIAL HIGHLIGHTS

Due to this year's operations, the City's net assets are as follows: Net assets of business-type activities were $6,081.7 thousand and net assets of governmental activities were $15,805.1 thousand.

- The current year's expense total was $3,590.3 thousand as compared to the $3,799.8 thousand generated in fees and charges, grants, general revenues, and taxes for governmental programs. In the previous year, expenses were $3,840.3 thousand as compared to the $3,515.3 thousand generated in fees and charges, grants, general revenues, and taxes for governmental programs.

- For business-type activities, City revenues were $3,327.5 thousand and expenses were $2,388.4 thousand.

- The annual cost of all City programs was $5,978.7 thousand. The previous year's cost was $6,286.0 thousand.

THE CITY AS A WHOLE ANALYSIS

Because the Statement of Net Assets and the Statement of Activities provide facts about the City as a whole, the statements can help determine if the City's financial condition has improved or deteriorated as a result of the year's activities. All assets and liabilities are included in the statements using the accrual basis of accounting. The accrual method is comparable to the accounting used by most private corporations. All current year revenues and expenses are included. It does not matter when cash is paid or received.

These statements give an account of the City's net assets and any changes in those assets. However, to truly judge the condition of the City, some non-financial factors, such as diversification of the taxpayer base or the condition of the City's infrastructure, must be considered in addition to the financial information provided in this report.

The Statement of Net Assets and the Statement of Activities divide the City into two types of activities:

1) Governmental activities: The City's basic services are accounted for in this section, including the police, fire, public works, parks departments and general administration. Property taxes, franchise fees, and state and federal grants finance the majority of these activities.
2) Business-type activities: These activities are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of Business-type activities. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as Business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water utilities. Internal service funds provide services and charge fees to customers within the City organization such as fleet services (maintenance and repair of vehicles) and the print shop (mail and printing services for city departments). Because of the City's size, the City does not have any internal service funds and none are included within the Governmental activities of the government-wide financial statements.

DETAILING THE MOST IMPORTANT FUNDS

The fund financial statements provide detailed information about the most important funds of the City. Certain funds are mandated by State law and by bond agreements. Other funds are established to manage money, meet legal requirements, or for certain taxes or grants.

- Government funds: Basic services are reported in government funds. Government fund financial statements detail how money flows in and out of the funds and reports the balances left at year-end that are on hand for disbursement. Government funds are reported using the modified accrual method of accounting. This method measures cash and financial assets that can easily be converted to cash. The governmental fund accountability focuses on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the next term.

  Budgetary comparison statements are included in the basic financial statements for the general fund and major revenue fund. These statements and schedules demonstrate compliance with the City adopted and final revised budget.

- Proprietary funds: Proprietary funds are those the City charges for services it provides to both the City units and outside customers. Proprietary funds are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. The City's enterprise funds, a component of proprietary funds, are the same as the business-type activities we report in the government-wide statements, but they give more detailed information such as cash flows.

NOTES TO FINANCIAL STATEMENTS

The notes provide additional information that is necessary for a full understanding of the data provided in the accompanying financial statements.

OTHER INFORMATION

In addition to the financial statements and notes, this report contains supplementary information and details of the accompanying financial statements.

Table 1
Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 2,555.0	$ 2,193.3	$ 3,696.8	$ 3,197.5	$ 6,251.8	$ 5,390.8
Capital assets	13,534.2	13,535.0	3,807.5	3,551.1	17,341.7	17,086.1
Total assets	16,089.2	15,728.3	7,504.3	6,748.6	23,593.5	22,476.9
Current and other liabilities	145.4	182.4	700.9	909.1	846.3	1,091.5
Noncurrent liabilities	138.7	182.5	721.7	464.6	860.4	647.1
Total liabilities	284.1	364.9	1,422.6	1,373.7	1,706.7	1,738.6
Net assets:						
Invested in capital assets, net of related debt	13,418.2	13,328.2	2,759.5	2,538.5	16,177.7	15,866.7
Restricted	--	--	401.0	1,633.2	401.0	1,633.2
Unrestricted	2,386.9	2,035.2	2,921.2	1,203.2	5,308.1	3,238.4
Total net assets	$ 15,805.1	$ 15,363.4	$ 6,081.7	$ 5,374.9	$ 21,886.8	$ 20,738.3

CITY AS A WHOLE

The City's combined net assets from the previous year were $20,738.3 thousand as compared to $21,886.8 thousand this year. However, net assets and expenses from governmental and business-type activities must be reviewed separately. Table 1 focuses on the net assets and Table 2 focuses on changes in the net assets of the City's governmental and business-type activities.

The City's net assets for governmental activities were $15,805.1 thousand this year compared to $15,363.4 last year. *Please note that due to a prior period adjustment in capital assets in the City's governmental activities listed above, total assets for FY 2010 show an increase of $10,540.7. Capital assets for governmental activities were adjusted upward to reflect City related SPLOST projects that were administered by the Houston County Board of Commissioners (HCBC) which should have been capitalized by the City. HCBC notified the City in FY 2011 that the costs of various road projects located within the City's limits for periods prior to FY 2011 were not reported to the City, but had been inadvertently capitalized on HCBC financials. HCBC in its FY 2011 financial reported a prior period adjustment for amounts capitalized related to SPLOST projects of other governmental entities.* Combined unrestricted net

assets were $3,238.4 thousand last year compared to $5,308.1 thousand this year. Unrestricted net assets are those that can be used to finance everyday operations without restrictions set by legislation, debt covenants, or other legal regulations.

The net assets of the City's business-type activities were $6,081.7 thousand this year as compared to $5,374.9 thousand last year.

City revenues for the current year were $7,127.2 thousand as compared to $6,398.1 thousand in the previous year. The total yearly cost of all programs and services was $5,978.7 thousand as compared to $6,286.0 thousand in the previous year.

Table 2
Changes in Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for services	$ 421.3	$ 426.5	$ 3,221.5	$ 2,798.9	$ 3,642.8	$ 3,225.4
Restricted operating grants	71.0	105.3	--	--	71.0	105.3
Restricted capital grants	298.6	261.5	--	--	298.6	261.5
General revenues:						
Property taxes	2,255.8	2,006.3	--	--	2,255.8	2,006.3
Other taxes	725.0	696.6	--	--	725.0	696.6
Interest and investment income	0.1	2.2	7.1	8.1	7.2	10.3
Other general revenues	1.9	16.9	98.9	75.8	100.8	92.7
Total revenues	3,773.7	3,515.3	3,327.5	2,882.8	7,101.2	6,398.1
Program expenses:						
General government	703.7	951.0	--	--	703.7	951.0
Municipal court	85.6	--	--	--	85.6	--
Public safety	2,426.9	2,542.0	--	--	2,426.9	2,542.0
Public works	366.2	284.4	--	--	366.2	284.4
Beautification	--	0.5	--	--	--	0.5
Culture and recreation	--	49.0	--	--	--	49.0
Interest on long-term debt	7.9	13.4	--	--	7.9	13.4
Business activities:						
Water and sewer	--	--	1,787.1	1,827.6	1,787.1	1,827.6
Sanitation	--	--	601.3	618.1	601.3	618.1
Total expenses	3,590.3	3,840.3	2,388.4	2,445.7	5,978.7	6,286.0
Excess before contributions and transfers	183.4	(325.0)	939.1	437.1	1,122.5	112.1
Contributions	26.0	--	--	--	26.0	--
Transfers	232.3	320.9	(232.3)	(320.9)	--	--
Increase in net assets	$ 441.7	$ (4.1)	$ 706.8	$ 116.2	$ 1,148.5	$ 112.1

GOVERNMENTAL ACTIVITIES

This year's governmental activities revenues were $3,799.8 thousand as compared to $3,515.3 thousand last year. This increase is primarily attributable to increases in property taxes of $249.5 thousand as well as an increase in other taxes of $28.4 thousand. The year's governmental activities cost was $3,590.3 thousand as compared to $3,840.3 thousand in the previous year. The decrease is primarily attributable to general government expenditure decrease of $247.3 thousand and public safety expenditure decrease of $115.1 thousand.

Table 3 details the cost of the City's major programs as well as each program's net cost (total cost less revenues generated by the program). The net cost indicates the financial burden that was shifted to the City's taxpayers by each of these programs.

Table 3
Governmental Activities
(in thousands)

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Police Department	$ 1,581.1	$ 1,663.9	$ 1,087.7	$ 1,371.9
Fire Department	845.8	878.1	845.8	878.1
Public Works	366.2	284.4	200.4	283.8
All Others	797.2	1,013.9	665.5	880.0
Total	$ 3,590.3	$ 3,840.3	$ 2,799.4	$ 3,413.8

BUSINESS-TYPE ACTIVITIES

This year Business-type activities revenues (see Table 2) were $3,327.5 thousand as compared to $2,882.8 thousand last year. This increase was primarily due to an increase in charges for services of $422.6 thousand. This year's expenses decreased from those of the previous year. This year's expenses were $2,388.4 thousand as compared to $2,445.7 thousand in the previous year. This decrease was mostly attributable to a decrease in operating expenses primarily attributed to a decrease in contractual services of $126.6 thousand and a decrease in materials of $7.3 thousand.

GENERAL FUND BUDGETARY STATEMENTS

The City Council revisits the budget several times during the year. The current year's budgets focus on general funds, major funds, and on availability of fund resources.

Differences in expenditures between the original budget and the final amended budget in the General Fund amounted to $192.9 thousand increase. This difference is mainly attributable to a combined increase in public safety expenditures for the fire department of $18.7 thousand and an increase in public works expenditures for streets of $167.9 thousand.

CITY FUNDS

At year end, the City reported a governmental funds balance of $2,466.4 thousand as compared to $2,118.2 thousand in the previous year.

CAPITAL ASSETS

Table 4
Capital Assets at Year-End
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land and improvements	$ 262.6	$ 262.6	$ 21.8	$ 21.8	$ 284.4	$ 284.4
Buildings and improvements	1,865.8	1,910.9	8.9	9.4	1,874.7	1,920.3
Equipment	220.0	312.5	150.9	136.9	370.9	449.4
Infrastructure	4,324.7	4,418.9	3,610.5	3,383.0	7,935.2	7,801.9
Construction in progress	6,861.1	6,630.1	15.4	--	6,876.5	6,630.1
Totals	$ 13,534.2	$ 13,535.0	$ 3,807.5	$ 3,551.1	$ 17,341.7	$ 17,086.1

The beginning balances of the capital assets of the Governmental Activities were restated to reflect SPLOST road projects administered by HCBC that are located within the City's jurisdiction. Prior period completed infrastructure projects and construction in progress added to the beginning balance amounted to $10,791.3 thousand and accumulated depreciation related to those projects amounted to $250.6 thousand. At the close of the year, the City had invested $17,341.7 thousand in capital assets such as land, buildings and improvements, equipment or infrastructure (see Table 4). $17,086.1 thousand was invested in similar assets last year.

Additional information of the City of Centerville's capital assets can be found in Note III-C beginning on page 35 of this report.

DEBT MANAGEMENT

Table 5
Outstanding Long-Term Obligations at Year-End
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenue bonds and notes (backed by specific tax and fee revenues)	$ --	$ --	$ 415.3	$ 711.6	$ 415.3	$ 711.6
Other bonds or oustanding obligations	195.6	289.8	665.9	332.4	861.5	622.2
Totals	$ 195.6	$ 289.8	$ 1,081.2	$ 1,044.0	$ 1,276.8	$ 1,333.8

At the close of the year, the City had $1,276.8 thousand in outstanding bonds, notes and other obligations as compared to $1,333.8 thousand in the previous year (see Table 5).

Refer to Note III-E beginning on page 39 of this report for additional information on the City's long-term obligations.

ECONOMIC ISSUES/UPCOMING YEARLY BUDGETS

City public officials considered many issues when establishing the upcoming year's budget, tax rates, and fees.

CONTACT INFORMATION

This report has been created to give our citizens, taxpayers, customers, investors and creditors a summary of City finances and to show how its revenues are used. If you have any questions regarding this report, or if you need additional financial information, please contact:

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CITY OF CENTERVILLE, GEORGIA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Cash	$ 2,489,740	$ 1,656,207	$ 4,145,947	$ --
Receivables:				
Taxes	12,025	--	12,025	--
Accounts	69,757	42,329	112,086	--
Unbilled accounts	--	316,715	316,715	--
Accrued interest	--	275	275	--
Internal balances	(16,552)	16,552	--	--
Inventory, at cost	--	79,544	79,544	--
Prepaid items	--	32,844	32,844	--
Restricted assets-				
Cash and cash equivalents	--	1,549,800	1,549,800	--
Capital assets not being depreciated:				
Land	262,575	21,827	284,402	--
Construction in progress	6,861,182	15,385	6,876,567	--
Capital assets, net of accumulated depreciation:				
Buildings and improvements	1,865,792	8,876	1,874,668	--
Infrastructure	4,324,694	3,610,561	7,935,255	--
Machinery and equipment	220,052	150,871	370,923	--
Deferred charges	--	2,500	2,500	--
Total assets	$ 16,089,265	$ 7,504,286	$ 23,593,551	$ --

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
LIABILITIES:				
Accounts payable	$ 50,040	$ 103,570	$ 153,610	$ --
Other liabilities	38,101	23,464	61,565	--
Deferred revenue	440	--	440	--
Customer deposits	--	214,390	214,390	--
Payables from restricted assets -				
Revenue bonds payable - current	--	309,165	309,165	--
Compensated absences	15,894	6,618	22,512	--
Notes payable - other	24,243	43,663	67,906	--
Capital lease payable	16,707	--	16,707	--
Noncurrent liabilities:				
Compensated absences	63,575	26,472	90,047	--
Notes payable - other	--	589,151	589,151	--
Capital lease payable	75,145	--	75,145	--
Revenue bonds payable	--	106,085	106,085	--
Total liabilities	284,145	1,422,578	1,706,723	--
NET ASSETS:				
Invested in capital assets, net of				
related debt	13,418,200	2,759,456	16,177,656	--
Restricted for revenue bonds payable	--	401,042	401,042	--
Unrestricted	2,386,920	2,921,210	5,308,130	--
Total net assets	15,805,120	6,081,708	21,886,828	--
Total liabilities and net assets	$ 16,089,265	$ 7,504,286	$ 23,593,551	$ --

See accompanying Notes to Financial Statements and Independent Auditor's Report.

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Governmental activities:			
General government	$ 703,696	$ 128,038	$ --
Municpal court	85,596	--	--
Public safety	2,426,922	293,237	71,005
Public works	366,232	51	--
Interest on long-term debt	7,920	--	--
Total governmental activities	3,590,366	421,326	71,005
Business-type activities:			
Water and sewer	1,787,096	2,367,174	--
Sanitation	601,281	854,304	--
Total business-type activities	2,388,377	3,221,478	--
Total primary government	$ 5,978,743	$ 3,642,804	$ 71,005
Component unit -			
Downtown Development Authority	$ 11,275	$ --	$ --

General revenues:
- Property taxes
- Intangible
- Franchise
- Alcoholic beverage tax
- Insurance premium tax
- Other taxes
- Other
- Unrestricted investment earnings

Contributions

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

Program Revenues	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
$ 3,699	$ (571,959)	$ --	$ (571,959)	
--	(85,596)	--	(85,596)	
129,121	(1,933,559)	--	(1,933,559)	
165,810	(200,371)	--	(200,371)	
--	(7,920)	--	(7,920)	
298,630	(2,799,405)	--	(2,799,405)	
--	--	580,078	580,078	
--	--	253,023	253,023	
--	--	833,101	833,101	
$ 298,630	(2,799,405)	833,101	(1,966,304)	
$ --				$ (11,275)
	2,255,791	--	2,255,791	--
	40,436	--	40,436	--
	374,513	--	374,513	--
	68,134	--	68,134	--
	230,292	--	230,292	--
	11,668	--	11,668	--
	1,923	98,903	100,826	--
	75	7,051	7,126	--
	26,008	--	26,008	--
	232,268	(232,268)	--	--
	3,241,108	(126,314)	3,114,794	--
	441,703	706,787	1,148,490	(11,275)
	15,363,417	5,374,921	20,738,338	11,275
	$ 15,805,120	$ 6,081,708	$ 21,886,828	$ --

See accompanying Notes to Financial Statements and Independent Auditor's Report.

CITY OF CENTERVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 2,281,259	$ 208,481	$ 2,489,740
Receivables, (net of write-offs):			
Taxes	12,025	--	12,025
Accounts	69,757	--	69,757
Due from other funds	19,380	--	19,380
Total assets	$ 2,382,421	$ 208,481	$ 2,590,902
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	$ 50,040	$ --	$ 50,040
Accrued liabilities	38,101	--	38,101
Due to other funds	16,552	19,380	35,932
Deferred revenue	440	--	440
Total liabilities	105,133	19,380	124,513
Fund balances:			
Restricted - Capital Projects Fund	--	169,964	169,964
Committed - Special Revenue Fund	--	19,137	19,137
Unassigned	2,277,288	--	2,277,288
Total fund balances	2,277,288	189,101	2,466,389
Total liabilities and fund balances	$ 2,382,421	$ 208,481	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			13,534,295
Certain liabilities, such as compensated absences are not due and payable in the current period and, therefore, are not reported in the funds			(79,469)
Long-term liabilities, including notes payable - other and capital leases payable, are not due and payable in the current period and, therefore, are not reported in the funds			(116,095)
Net assets of governmental activities (page 11)			$15,805,120

See accompanying Notes to Financial Statements and Independent Auditor's Report.

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
General property taxes	$ 2,255,791	$ --	$ 2,255,791
Other taxes	725,043	--	725,043
Licenses and permits	128,038	--	128,038
Intergovernmental revenues	85,169	250,351	335,520
Charges for services	51	--	51
Fines and forfeitures	280,264	12,973	293,237
Interest on investments	75	1,172	1,247
Donations	26,008	--	26,008
Other revenues	1,923	--	1,923
Total revenues	3,502,362	264,496	3,766,858
Expenditures:			
Current:			
General government	630,413	--	630,413
Municipal court	85,596	--	85,596
Public safety	2,365,032	500	2,365,532
Public works	429,576	--	429,576
Capital outlay	--	41,264	41,264
Debt service:			
Principal	24,270	71,166	95,436
Interest	1,399	1,766	3,165
Total expenditures	3,536,286	114,696	3,650,982
Excess (deficit) of expenditures over revenues	(33,924)	149,800	115,876
Other financing sources (uses):			
Transfers in	277,724	--	277,724
Transfers out	--	(45,456)	(45,456)
Total other financing sources (uses)	277,724	(45,456)	232,268
Net change in fund balance	243,800	104,344	348,144
Fund balance, beginning of year	2,033,488	84,757	2,118,245
Fund balance, end of year	$ 2,277,288	$ 189,101	$ 2,466,389

See accompanying Notes to Financial Statements and Independent Auditor's Report.

CITY OF CENTERVILLE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Amounts reported for governmental activities in the statement of activities (page 12) are different because:	
Net change in fund balances - total governmental funds (page 14)	$ 348,144
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(33,640)
Contribution of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	32,943
In the statement of activities, certain operating expenses - compensated absences (vacations) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). During this year, accrued leave decreased.	3,575
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes 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 principal payments.	90,681
Change in net assets of governmental activities (page 12)	$ 441,703

See accompanying Notes to Financial Statements and Independent Auditor's Report.

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance Final Budget with Actual
	Original	Final	Actual	Over (Under)
Revenues:				
Taxes	$ 3,013,965	$ 3,013,965	$ 2,980,834	$ (33,131)
Licenses and permits	133,100	133,100	128,038	(5,062)
Intergovernmental	79,740	79,740	85,169	5,429
Charges for services	200	200	51	(149)
Fines and forfeitures	282,000	282,000	280,264	(1,736)
Interest on investments	250	250	75	(175)
Donations	--	14,230	26,008	11,778
Other	2,000	2,000	1,923	(77)
Total revenues	3,511,255	3,525,485	3,502,362	(23,123)
Expenditures:				
Current:				
General government:				
Legislative	60,339	60,339	43,232	17,107
Executive	103,226	103,376	98,251	5,125
Financial administration	338,327	340,227	323,075	17,152
Law	170,650	170,800	165,855	4,945
Total general government	672,542	674,742	630,413	44,329
Municipal court	95,838	95,988	85,596	10,392
Public safety:				
Fire	961,807	980,482	845,828	134,654
Police	1,656,239	1,659,740	1,463,285	196,455
Animal control	58,855	59,005	55,919	3,086
Total public safety	2,676,901	2,699,227	2,365,032	334,195
Public works - Streets	202,725	370,625	360,666	9,959
Protective Inspection	78,205	78,355	68,910	9,445
Debt service:				
Principal	24,033	24,270	24,270	--
Interest	1,416	1,399	1,399	--
Total debt service	25,449	25,669	25,669	--
Total expenditures	3,751,660	3,944,606	3,536,286	408,320
Excess (deficit) of revenues over expenditures	(240,405)	(419,121)	(33,924)	385,197
Other financing sources (uses):				
Transfers in	426,731	436,731	277,724	(159,007)
Total other financing sources (uses)	426,731	436,731	277,724	(159,007)
Net change in fund balance	$ 186,326	$ 17,610	243,800	$ 226,190
Fund balance, beginning of year			2,033,488	
Fund balance, end of year			$ 2,277,288	

See accompanying Notes to Financial Statements and Independent Auditor's Report.

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

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,656,207	$ --	$ 1,656,207
Receivables, net of write-offs:			
Accounts	35,212	7,117	42,329
Unbilled accounts	247,476	69,239	316,715
Accrued interest	275	--	275
Inventory, at cost	79,544	--	79,544
Prepaids	32,844	--	32,844
Due from other funds	16,552	34,280	50,832
Restricted cash -			
Cash and cash equivalents	312,867	--	312,867
Total current assets	2,380,977	110,636	2,491,613
Noncurrent assets:			
Restricted cash -			
Cash and cash equivalents	1,236,933	--	1,236,933
Capital assets:			
Land and improvements	21,827	--	21,827
Buildings and improvements	45,558	--	45,558
Infrastructure	6,197,205	--	6,197,205
Machinery and equipment	495,553	17,500	513,053
Construction in progress	15,385	--	15,385
Accumulated depreciation	(2,972,362)	(13,146)	(2,985,508)
Capital assets, net	3,803,166	4,354	3,807,520
Other assets -			
Deferred charges	2,500	--	2,500
Total noncurrent assets	5,042,599	4,354	5,046,953
Total assets	$ 7,423,576	$ 114,990	$ 7,538,566

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	$ 53,293	$ 50,277	$ 103,570
Other liabilities	19,762	--	19,762
Due to other funds	34,280	--	34,280
Compensated absences	6,618	--	6,618
Customer deposits	214,390	--	214,390
Notes payable	43,663	--	43,663
Payable from restricted assets:			
Revenue bonds payable	309,165	--	309,165
Accrued interest payable	3,702	--	3,702
Total current liabilities	684,873	50,277	735,150
Noncurrent liabilities:			
Compensated absences	26,472	--	26,472
Notes payable (net of current portion)	589,151	--	589,151
Revenue bonds payable (net of current portion)	106,085	--	106,085
Total noncurrent liabilities	721,708	--	721,708
Total liabilities	1,406,581	50,277	1,456,858
Net assets:			
Invested in capital assets, net of related debt	2,755,102	4,354	2,759,456
Restricted for revenue bonds payable	401,042	--	401,042
Unrestricted	2,860,851	60,359	2,921,210
Total net assets	6,016,995	64,713	6,081,708
Total liabilities and net assets	$ 7,423,576	$ 114,990	$ 7,538,566

See accompanying Notes to Financial Statements and Independent Auditor's Report.

CITY OF CENTERVILLE, GEORGIA
RECONCILIATION OF THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total assets reported for business-type activities in the Statement of Net Assets are different because:

Total assets for Statement of Net Assets - Proprietary Funds (page 17)	$	7,538,566
Elimination of interfund receivable from Water and Sewer to Sanitation reflected as due from other funds		(34,280)
Total assets for Statement of Net Assets - Business-type Activities (page 11)	$	7,504,286

Total liabilities and net assets reported for business-type activities in the Statement of Net Assets are different because:

Total liabilities and net assets for Statement of Net Assets - Proprietary Funds (page 17)	$	7,538,566
Elimination of interfund payables from Water and Sewer to Sanitation reflected as due to other funds		(34,280)
Total liabilities and net assets for Statement of Net Assets - Business-type Activities (page 11)	$	7,504,286

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

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Operating revenues:			
Charges for services	$ 2,367,174	$ 854,304	$ 3,221,478
Other	98,903	--	98,903
Total operating revenues	2,466,077	854,304	3,320,381
Operating expenses:			
Personal services	678,770	--	678,770
Contractual services	474,875	591,989	1,066,864
Supplies	232,033	3,975	236,008
Materials	93,709	--	93,709
Heat, light, power and telephone	81,215	--	81,215
Bad debt expense	22,746	1,890	24,636
Amortization of bond issue cost	2,500	--	2,500
Depreciation	174,141	3,427	177,568
Total operating expenses	1,759,989	601,281	2,361,270
Operating income	706,088	253,023	959,111
Nonoperating revenues (expenses):			
Interest revenue	7,051	--	7,051
Interest expense	(27,107)	--	(27,107)
Total nonoperating expenses, net	(20,056)	--	(20,056)
Net income before contributions and transfers	686,032	253,023	939,055
Transfers in	45,456	978	46,434
Transfers out	(10,978)	(267,724)	(278,702)
Net transfers	34,478	(266,746)	(232,268)
Change in net assets	720,510	(13,723)	706,787
Net assets, beginning	5,296,485	78,436	5,374,921
Net assets, ending	$ 6,016,995	$ 64,713	$ 6,081,708

See accompanying Notes to Financial Statements and Independent Auditor's Report.

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Cash flows from operating activities:			
Cash received from customers	$ 2,315,677	$ 899,554	$ 3,215,231
Cash received from rents and reimbursements	98,903	--	98,903
Cash paid to suppliers for goods and services	(322,826)	(632,808)	(955,634)
Cash paid to employees for services	(426,606)	--	(426,606)
Cash paid for contractual services	(474,875)	--	(474,875)
Cash paid for employee taxes and benefits	(249,773)	--	(249,773)
Net cash provided by operating activities	940,500	266,746	1,207,246
Cash flows from noncapital financing activities-			
Transfers in	45,456	978	46,434
Transfers out	(10,978)	(267,724)	(278,702)
Net cash provided (used) by noncapital financing activities	34,478	(266,746)	(232,268)
Cash flows from capital financing activities:			
Principal paid on revenue bonds	(296,308)	--	(296,308)
Payment of bond interest	(25,925)	--	(25,925)
Acquisition and construction of capital assets	(433,964)	--	(433,964)
Payment of notes payable	331,764	--	331,764
Net cash used by capital financing activities	(424,433)	--	(424,433)
Cash flows from investing activities -			
Interest revenue	7,001	--	7,001
Net cash provided by investing activities	7,001	--	7,001
Net increase in cash and cash equivalents	557,546	--	557,546
Cash and cash equivalents, beginning of year	2,648,461	--	2,648,461
Cash and cash equivalents, end of year	$ 3,206,007	$ --	$ 3,206,007
Summary per statement of net assets:			
Cash	$ 1,656,207	$ --	$ 1,656,207
Restricted cash:			
Cash - current	312,867	--	312,867
Cash - non-current	1,236,933	--	1,236,933
Total cash	$ 3,206,007	$ --	$ 3,206,007

See accompanying Notes to Financial Statements and Independent Auditor's Report.

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 706,088	$ 253,023	$ 959,111
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation	174,141	3,427	177,568
Amortization of bond issue cost	2,500	--	2,500
Decrease (increase) in assets:			
Accounts receivable	36,594	54,564	91,158
Unbilled accounts	(71,245)	(11,204)	(82,449)
Prepaids	521	--	521
Due from other funds	915	(31,394)	(30,479)
Inventory	45,684	--	45,684
Increase (decrease) in liabilities:			
Accounts payable	5,617	(1,670)	3,947
Other liabilities	696	--	696
Due to other funds	31,394	--	31,394
Compensated absences	1,695	--	1,695
Customer deposits	5,900	--	5,900
Total adjustments	234,412	13,723	248,135
Net cash provided by operating activities	$ 940,500	$ 266,746	$1,207,246

See accompanying Notes to Financial Statements and Independent Auditor's Report.

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Nationwide Retirement Solutions Fund	GMA Deferred Compensation Plan Fund	Municipal Court Fund
ASSETS			
Cash	$ --	$ --	$ 27,922
Investments	61,511	72,578	--
Due from others	--	--	1,019
Total assets	$ 61,511	$ 72,578	$ 28,941
LIABILITIES			
Due to others	$ 61,511	$ 72,578	$ 28,941
Total liabilities	$ 61,511	$ 72,578	$ 28,941

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Centerville, Georgia (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board ("FASB") issued after November 30, 1989 are not applied in the preparation of the financial statements of the business-type activities and enterprise funds in accordance with an election made by the City under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

In June 1999, the GASB issued Statement No. 34 (GASB No. 34), *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. GASB No. 34 provided for the most significant change in financial reporting in over twenty years and required implementation starting with fiscal years beginning after June 16, 2003. As a part of GASB No. 34, there is a reporting requirement regarding a local government's infrastructure (streets, bridges, traffic signals, etc.) with required implementation for fiscal years beginning after June 16, 2003. The City elected to implement the basic model required by GASB No. 34; however, the City has not elected to implement retroactive infrastructure reporting.

A. Reporting Entity

The City operates under a charter adopted on March 25, 1958. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, culture-recreation, public improvements, planning and zoning, and general administrative services. In addition, the City provides water and sewer services as well as sanitation services. These financial statements present the government entities for which the City is considered to be financially accountable.

Discretely Presented Component Unit. The Downtown Development Authority ("DDA"), formed during fiscal year 2005, is a component unit that is legally separate from the City. The DDA was formed to promote the downtown area for the City. The Mayor and Council of Centerville appoint all board members and can impose its will on the DDA. The DDA does not issue separate component unit financial statements. On September 21, 2010, the Mayor and Council of Centerville adopted a resolution to dissolve the DDA pursuant to the Downtown Development Authorities Law O.C.G.A 36-42-1 with all assets devolving to the parent municipal corporation in accordance with O.C.G.A. 36-62-14(c).

A. Reporting Entity

The basic criterion for including a component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or are such that exclusion would cause the reporting entity's financial statement to be misleading or incomplete.

B. Joint Venture

The City is a member of the Middle Georgia Regional Commission (MGRC). Membership in a Regional Commission 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 organizational structure of the Regional Commissions. The Regional Commission Board membership includes the chief elected officials of each county and the chief elected official of each municipality. The county board members and municipal 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 non-public board member from a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines 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) Separate financial statements may be obtained from the Middle Georgia Regional Commission.

C. Basic Financial Statements - GASB Statement No. 34

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, etc.), which are otherwise being supported by general government revenues (property and other taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. Program revenues include revenues from fines and forfeitures, licenses and permits fees, service assessments, and charges for services. The operating grants include operating - specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

C. Basic Financial Statements - GASB Statement No. 34

The net costs (by function or business-type activity) are normally covered by general revenues (property or other taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity.

This government-wide focus is more on the substantiality of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are, in substance, very similar to those presented in the previous model.

The governmental funds statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the City's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following the statement which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The focus of the GASB No. 34 model is on the City as a whole and the fund financial statements of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

D. Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The City reports the following major governmental funds:

General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

D. Basis of Presentation

Sanitation System Fund was established for control of the operating revenues and expenses relating to garbage pickup and disposal.

Additionally, the City reports the following fund types:

Special Revenue Funds – are used to account for revenue sources that are legally restricted to expenditure for specific purposes (not including capital projects).

Capital Projects Funds – are used to account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Fiduciary Funds – are used to account for resources that are held by the City as trustee or agent and cannot be used for support of the City's own programs.

GASB No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Assets. Fiduciary funds are excluded from the government-wide financial statement.

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements, fiduciary fund and the proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis of accounting.

Accrual - Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual - All governmental funds are accounted for using the modified accrual basis of accounting where revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, charges for services and federal and state grants.

The City defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be 60 days.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

D. Basis of Presentation

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and as deferred revenue by the recipient.

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

E. Assets, Liabilities, and Net Assets

1. ***Cash and Cash Equivalents*** - include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. Investments are stated at cost.

   State statutes authorize the City to invest in certificates of deposit, obligations of the U.S. Treasury, repurchase agreements and money market accounts.

2. ***Receivables and Payables*** - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from other funds" or "due to other funds".

3. ***Accounts Receivable and Taxes Receivable*** - All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles. The enterprise fund receivables over sixty days are generally written off at year-end. Property taxes not collected by the year-end are recorded in the allowance for uncollectible accounts.

   Property taxes levied are recorded as receivables and recognized as revenues in the year they become due. The property tax calendar is as follows:

Date millage rate is set	September 14, 2010
Lien date	January 1, 2010
Due date	December 20, 2010
Collection dates	November 19, 2010 – December 20, 2010
Delinquent date	December 20, 2010

E. Assets, Liabilities, and Net Assets

4. ***Unbilled Service Receivables*** - Unbilled service receivables have been accrued at year-end. This accounting is consistent with prior years.

5. ***Allowance for Uncollectible Accounts*** - Allowances for uncollectible accounts are maintained for all types of receivables which historically experience uncollectible accounts.

6. ***Interfund Transactions*** - The City has several types of interfund transactions.

   Services rendered transactions are accounted for as revenues and expenditures in the funds involved. Operating appropriations/subsidies are accounted for as transfers in the funds involved. Intrafund transfers, except interfund services provided and used and reimbursements, are reported as transfers in or out in the funds involved as other financing sources.

7. ***Capital Contributions*** - The portion of the 2006 SPLOST referendum attributable to the water and sewer improvements are recorded as contributions in the funds involved.

8. ***Inventories and Prepaid Items*** - The costs of the City's inventories are recorded as expenditures when purchased. Certain payments to vendors, such as insurance, reflect costs applicable to future accounting periods and are recorded as prepaid items.

9. ***Restricted Assets*** - Certain assets of the City's Water and Sewer Fund are restricted for repayment of bonds payable. These assets are restricted due to covenants in the bond agreements. The revenue bond debt service reserve accounts are used to report resources set aside to subsidize potential deficiencies from the fund's operations that could adversely affect debt service payments.

10. ***Capital Assets*** - Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Capital assets are defined by the City as assets which cost more than $5,000 and an estimated useful life in excess of two years. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized in the government-wide financial statements.

    Capital assets are depreciated in the City using the straight line method over the following estimated useful lives:

Building and infrastructure	50 years
Furniture and equipment	5-10 years
Trucks and tractors	3-7 years
Distribution plants	50 years

E. Assets, Liabilities, and Net Assets

The City has capitalized infrastructure it has acquired after its implementation of GASB No. 34 in its fiscal year ending June 30, 2003; however, the City has not elected to implement retroactive infrastructure reporting for prior years.

11. ***Compensated Absences*** - All full-time employees earn annual leave. Unused annual leave not exceeding thirty days may be carried into the next calendar year. Payment for unused annual leave will be made upon resignation of an employee provided that proper notice is given.

    The City provides sick leave to eligible employees in accordance with provisions of the personnel policy. It is the City's policy to record the cost of sick leave when it is used. There is no limit on the amount of sick leave which may be accrued. At the time of retirement any unused sick leave is added to the employees' length of service.

    Accrued annual leave incurred in the proprietary fund is reported as a fund liability in that fund. In governmental fund types, annual leave is recorded as a liability only if they have matured, for example, as a result of employee resignations and retirements. In special circumstances, employees may be reimbursed for unused vacation time at year-end.

12. ***Long-term Obligations*** - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

13. ***Net Assets*** - The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

    - **Investment in Capital Assets (net of related debt)** - is intended to reflect the portion of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt.

    - **Restricted Net Assets** - represent funds for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

    - **Unrestricted Net Assets** - represent unrestricted liquid assets. While City management

E. Assets, Liabilities, and Net Assets

may have categorized and segmented portions for various purposes, the City Council has the unrestricted authority to revisit or alter these managerial decisions.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

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

F. Fund Balances – Governmental Funds

Fund balance reporting reflects GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the fiscal year 2011. As of June 30, 2011, fund balances of the governmental funds are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Assigned - Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the City Council may assign amounts for specific purposes.

Unassigned - All other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Policy and Budgetary Data

Budgets are adopted for the general, special revenue, capital project and proprietary funds on an annual basis.

The budgets for the general, special revenue and capital project funds are adopted on a basis consistent with generally accepted accounting principles. Budgets are prepared for the proprietary funds as a management control device. Department heads are responsible for submitting budget requests in the spring of each year. The City Administrator reviews the requests, meets with the department heads, and then creates a formal budget for the following year to be presented to the Council. The budget hearing is publicly advertised and then public hearings are held in accordance with Georgia law. Thereafter, the Mayor and Council adopt a formal budget. The budgetary legal level of control is at the department level. All appropriations except Capital Projects Funds lapse at year-end. There were no material purchase orders, contracts, or other commitments that should have been encumbered.

Encumbrances represent commitments related to unperformed contracts for goods or services. The City does not utilize encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriations.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

A summary of the City's deposits and investments at June 30, 2011 follows:

Account Balances		
Petty cash	$	1,100
Demand deposits		5,572,243
Certificates of deposit		122,404
	$	5,695,747

Ownership of Funds		
Primary government:		
Governmental funds -		
Cash	$	2,489,740
Proprietary funds:		
Cash		1,656,207
Revenue bond - current		312,867
Revenue bond - noncurrent		1,236,933
		3,206,007
Total reporting entity	$	5,695,747

Custodial Credit Risk is the risk that in the event of a bank failure, the government's deposits (in excess of FDIC insurance) may not be returned to the City.

***Deposits**:*
State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held. As of June 30, 2011, the City's bank balances were insured or collateralized with securities held by the City or by its agent in the City's name or with securities held by the pledging financial institution's trust department or agent in the City's name.

A. Cash and Investments

Investments:
State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers acceptances; the local government investment pool established by Georgia law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia; and additionally, certificates of deposits, NOW accounts and money market accounts of banks which have deposits insured by the Federal Deposit Insurance Corporation; provided, however, that portion of such investment shall be secured by direct obligations of the State of Georgia or the United States which are of a par value equal to 110 percent of funds on deposit at the institution.

B. Leases

Operating Leases

The City leases police cars and equipment under operating leases. Total costs for such leases were $122,879 for the year ended June 30, 2011. The future minimum lease payments as of June 30, 2011, are as follows:

Year ending June 30,	Amount
2012	$ 116,415
2013	27,278
2014	2,004
2015	334
Total minimum lease payments	$ 146,031

Capital Leases

The City has entered into lease agreements for financing the acquisition of telephone equipment as well as a municipal lease/purchase agreement for the purchase of a fire truck. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The capital lease on the telephone equipment was paid in full as of June 30, 2011.

B. Leases

The assets acquired through capital leases are as follows:

	Governmental Activities		
	Cost	Accumulated Depreciation	Net Book Value
Machinery and equipment	$ 174,689	$ 73,131	$ 101,558

The future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Year ending June 30,	Amount
2012	$ 21,070
2013	21,070
2014	21,070
2015	21,070
2016	21,070
Total minimum lease payments	105,350
Less: amount representing interest	(13,498)
Present value of minimum lease payments	$ 91,852

C. Capital Assets

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

Primary Government	Balance June 30, 2010	Prior Period Adjustment	Restated Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Governmental activities:						
Capital assets, not being depreciated:						
Land	$ 262,575	$ --	$ 262,575	$ --	$ --	$ 262,575
Construction in progress	15,500	6,614,599	6,630,099	231,083	--	6,861,182
Total capital assets not being depreciated	278,075	6,614,599	6,892,674	231,083	--	7,123,757
Capital assets, being depreciated:						
Buildings and improvements	2,225,192	--	2,225,192	--	--	2,225,192
Infrastructure	529,616	4,176,720	4,706,336	--	--	4,706,336
Machinery and equipment	863,850	--	863,850	--	1,000	862,850
Total capital assets being depreciated	3,618,658	4,176,720	7,795,378	--	1,000	7,794,378
Less accumulated depreciation for:						
Buildings and improvements	314,326	--	314,326	45,074		359,400
Infrastructure	36,773	250,603	287,376	94,266		381,642
Machinery and equipment	551,358	--	551,358	92,440	1,000	642,798
Total accumulated depreciaiton	902,457	250,603	1,153,060	231,780	1,000	1,383,840
Total capital assets being depreciated, net	2,716,201	3,926,117	6,642,318	(231,780)	--	6,410,538
Governmental activities capital assets, net	$ 2,994,276	$ 10,540,716	$ 13,534,992	$ (697)	$ --	$ 13,534,295

C. Capital Assets

Primary Government

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 21,827	$ --	$ --	$ 21,827
Construction in progress	10	15,385	10	15,385
Total capital assets not being depreciated	21,837	15,385	10	37,212
Capital assets, being depreciated:				
Buildings and improvements	45,558	--	--	45,558
Infrastructure	5,839,044	358,162	--	6,197,206
Machinery and equipment	452,626	60,427	--	513,053
Total capital assets being depreciated	6,337,228	418,589	--	6,755,817
Less accumulated depreciation for:				
Buildings and improvements	36,182	500	--	36,682
Infrastructure	2,456,032	130,613	--	2,586,645
Machinery and equipment	315,727	46,455	--	362,182
Total accumulated depreciaiton	2,807,941	177,568	--	2,985,509
Total capital assets being depreciated, net	3,529,287	241,021	--	3,770,308
Business-type activities capital assets, net	$ 3,551,124	$ 256,406	$ 10	$ 3,807,520

C. Capital Assets

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

Governmental activities:	
General government	$ 76,858
Public safety	60,390
Public works	94,532
Total depreciation expense - governmental activities	$ 231,780
Business-type activities:	
Water and sewer	$ 174,141
Sanitation	3,427
Total depreciation expense - business-type activities	$ 177,568

D. Interfund Receivables, Payables and Transfers

A summary of individual interfund receivable and payable balances at June 30, 2011, and a summary of fund transfers for the year then ended follows:

Receivable Fund	Payable Fund	Amount
Governmental activities:		
Water and Sewer	General Fund	$ 16,552
General	SPLOST	19,380
Total governmental activities		35,932
Business-type activities:		
Sanitation	Water and Sewer	34,280
Total business-type activities		34,280
Total		$ 70,212

D. Interfund Receivables, Payables and Transfers

Transfers To	Transfers From		
Governmental activities:			
General	Sanitation	$	267,724
General	Water and Sewer		10,000
Total governmental activities		$	277,724
Business-type activities:			
Water and Sewer	SPLOST	$	45,456
Sanitation	Water and Sewer		978
Total business-type activities		$	46,434

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in one fund to finance various programs accounted for in another fund in accordance with budgetary authorizations; and to segregate money for anticipated capital projects. The purposes for interfund balances were for the use of supplementing the various fund sources.

E. Long-Term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended June 30, 2011:

	Beginning Balance	Additions	Payments/ Retirements	Ending Balance	Current Portion	Long-term Portion
Governmental activities:						
Compensated absences payable	$ 83,044	$ -	$ (3,575)	$ 79,469	$ 15,894	$ 63,575
Notes payable - other	97,695	--	(73,452)	24,243	24,243	--
Capital leases	109,081	--	(17,229)	91,852	16,707	75,145
Governmental activity - long-term liabilities	$ 289,820	$ --	$ (94,256)	$ 195,564	$ 56,844	$ 138,720
Business-type activities:						
Compensated absences payable	$ 31,395	$ 1,695	$ --	$ 33,090	$ 6,618	$ 26,472
Notes payable-other	301,050	355,152	(23,388)	632,814	43,663	589,151
Revenue bonds payable	711,558	--	(296,308)	415,250	309,165	106,085
Business-type activity - long-term liabilities	$ 1,044,003	$ 356,847	$ (319,696)	$ 1,081,154	$ 359,446	$ 721,708

Compensated absences for governmental activities are generally liquidated by the general fund.

Notes Payable – Other – Governmental Activities

Notes payable – other in the Governmental Activities consists of the following as of June 30, 2011:

	Balance June 30, 2010	Additions	Payments	Balance June 30, 2011
Bank of America	$ 46,940	$ --	$ (46,940)	$ --
BB&T	301,050	--	(23,388)	277,662
BB&T	3,124	--	(3,124)	--
	$ 351,114	$ --	$ (73,452)	$ 277,662

E. Long-Term Obligations

The City entered into an Installment Sale Agreement (the "Agreement") with GMA on January 1, 2003 for the purpose of constructing a building to serve as a new fire station (the "Fire Station Project"). Under the Agreement, GMA was the seller and the City was the purchaser. GMA agreed to finance and own the Fire Station Project until all installment payments under the Agreement have been paid by the City. GMA assigned the Agreement to Bank of America, N.A., who advanced $325,000 into a Project Fund to pay the cost of acquiring, constructing and equipping the Fire Station Project.

The obligation of the City to make payments under the Agreement was payable only from funds lawfully appropriated by the City for such purpose and constituted a pledge of the full faith and credit of the City within the meaning of any constitutional debt limitations. The taxing power of the City were not and could not be pledged in any way directly or contingently to secure any moneys due under this Agreement.

The note payable to Bank of America, N.A. was paid in full as of June 30, 2011.

On November 14, 2003, the City entered into an Installment Sale Agreement for the purchase of a rescue vehicle for the City's Fire Department. The installment payments were made to BB&T who advanced $77,110 to acquire and equip the rescue vehicle. Quarterly payments were made in the amount of $3,156 and the interest rate was 4.05%. The note payable to BB&T was paid in full as of June 30, 2011.

On July 16, 2009, the City entered into an Installment Sale Agreement for the purchase of a Computer Project for the General Fund and Water and Sewer Fund. The installment payments are to be made to BB&T who advanced $141,175 to purchase CSI Software Package. Quarterly payments are to be made in the amount of $12,394 and the interest rate is 3.58%. The last payment is scheduled for May 15, 2012.

The requirements to amortize the loan payable to BB&T as of June 30, 2011, are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 48,486	$ 1,089	$ 49,575
General Fund Portion	$ 24,243	$ 545	$ 24,788

E. Long-Term Obligations

Notes Payable – Other – Business-Type Activities

Notes payable – other in the Business-Type Activities consists of the following as of June 30, 2011:

	Balance June 30, 2010	Additions	Payments	Balance June 30, 2011
BB&T	$ 47,637	$ --	$ (23,394)	$ 24,243
GEFA	253,413	355,158	--	608,571
	$ 301,050	$ 355,158	$ (23,394)	$ 632,814

On July 16, 2009, the City entered into an Installment Sale Agreement for the purchase of a Computer Project for the General Fund and Water and Sewer Fund. The installment payments are to be made to BB&T who advanced $141,175 to purchase CSI Software Package. Quarterly payments are to be made in the amount of $12,394 and the interest rate is 3.58%. The last payment is scheduled for May 15, 2012.

The requirements to amortize the loan payable to BB&T as of June 30, 2011, are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 48,486	$ 1,089	$ 49,575
Water & Sewer Portion	$ 24,243	$ 545	$ 24,788

On March 18, 2008, the City entered into an agreement to borrow an amount not to exceed $788,914 from Georgia Environmental Facilities Authority (GEFA) for the Sentry Oaks Sewer Project. The current balance of the advances as of June 30, 2011 is $608,571 and became a permanent loan on June 1, 2011. The monthly installment payments are to be made to GEFA in the amount of $3,817 and the interest rate is 4.40%. The last payment is scheduled for June 1, 2031.

E. Long-Term Obligations

The requirements to amortize the loan payable to GEFA as of June 30, 2011, are as follows:

Year Ended June 30,	Principal	Interest	Total Payment
2012	$ 19,420	$ 26,388	$ 45,808
2013	20,291	25,517	45,808
2014	21,202	24,606	45,808
2015	22,154	23,654	45,808
2016	23,149	22,659	45,808
2017-2021	132,302	96,739	229,041
2022-2026	164,792	64,249	229,041
2027-2031	205,261	23,781	229,042
Total	$ 608,571	$ 307,593	$ 916,164

Revenue Bonds Payable

Water and Sewer Revenue Bonds, Series 2002 – During fiscal year 2003, the City issued $2,610,300 in fixed rate revenue bonds to provide funds to currently refund and redeem all outstanding water and sewer revenue bonds of the City to acquire, construct, and equip extensions of and additions and improvements to the City's water and sewer system, fully fund the Debt Service Reserve Account, and pay the necessary costs of issuing the bonds. The revenues of the Water and Sewer Fund are pledged to secure these outstanding bonds. The bonds are due in monthly installments through fiscal year 2013; interest at 4.25%.

Outstanding balance at June 30, 2011	$ 415,250
Current portion	309,165
Long-term portion	$ 106,085

The bond agreement for the Water and Sewer Revenue Bonds required the creation of the Construction Fund, the Revenue Fund, the Sinking Fund, and the Renewal and Extension Fund. The gross revenues of the Water and Sewer System, after deductions for reasonable expenses of operations and maintenance, are paid to such funds. All revenues arising from the operations should be deposited into the Revenue Fund. The Revenue Fund should first pay all reasonable and necessary costs. Next, the Debt Service Account of the Sinking Fund should be paid by the Revenue Fund for monthly principal and interest due and the Debt Service Reserve Account

E. Long-Term Obligations

should be fully funded. The bond agreement also requires the City to keep the Renewal and Extension Fund fully funded at $100,000.

The annual requirements to amortize outstanding revenue bonds as of June 30, 2011, including interest payments of $12,560, are as follows:

Year Ended June 30,	Principal	Interest	Total Payment
2012	$ 309,165	$ 11,668	$ 320,833
2013	106,085	892	106,977
Total	$ 415,250	$ 12,560	$ 427,810

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined the Georgia Interlocal Risk Management Agency (GIRMA) in 1999. This membership allows the City to share liability, crime, motor vehicle and property damage risks. The City retains the first $2,500 of the risk of loss for the law enforcement and the errors and omissions coverage in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to the $2,500 deductible, if applicable. Management is not aware of any claims that the City is liable for which were outstanding and unpaid as of June 30, 2011. Settlement claims from the risks mentioned above have not exceeded insurance coverage for the past five years.

For its workers compensation coverage, the City is a member of the Georgia Municipal Association of Workers' Compensation Self Insurance Fund. The fund operates under the authority of O.C.G.A. 34-9-150, et seq. The City pays into the fund its share of the fund's projected obligation of workers' compensation liability, administrative expenses, and other costs incurred by the fund. The City's share is adjusted by the board of the fund according to the claims experience of each participating member in accordance with criteria set forth in the bylaws of the fund. The fund makes payments to the employees of the members for workers compensation benefits pursuant to and in accordance with the claims procedures set forth in title 34, chapter 9 of O.C.G.A. The City is jointly and severally liable for all legal obligations of the fund, including, but not limited to, any obligations of the fund to pay claims against the fund arising out of any occurrence, incident, or accident covered under title 34, chapter 9 of O.C.G.A.

As a part of these risk pools, the City is obligated to pay all contributions and 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 claims of loss. The City is also to allow the pools' agents and attorneys to represent the City in investigation, settlement discussion 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 worker's compensation law of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded coverage.

B. Contingencies and Other

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

Excess of Expenditures Over Appropriations – In the City's General Fund there were no actual expenditures in excess of its budgeted appropriations during fiscal year 2011.

Other Contingencies and Pending Litigation - Certain claims, suits, and complaints arising in the ordinary course of operations have been filed or are pending against the City. In the opinion of the City's management and the City's attorney, all such matters are adequately covered by insurance, or if not so covered are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the City if disposed of unfavorably.

C. Pension Plan

Plan Description. The Georgia Municipal Employees Benefit System (GMEBS) is the retirement system that administers the City's agent multiple-employer defined benefit pension plan (the Plan). The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Participation in the Plan was approved by resolution of the City Council. Employees are not required to contribute to the Plan. The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements and may be obtained by contacting The Segal Company in Atlanta, Georgia. State statutes authorize the State to establish and amend all Plan provisions. The City has the right to establish and amend the benefit provisions of the plan. These amendments become effective once approved by GMEBS.

Funding Policy. The funding policy for the Plan is to contribute an amount equal to the recommended contribution each year. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in paragraphs 9-10 of GASB Statement 27, *Accounting for Pensions by State and Local Governmental Employers*. These contributions are determined under the projected unit credit actuarial cost method. The annual recommended contribution is the greater of (1) the minimum contribution, which is the normal cost plus an amount to fully amortize the unfunded actuarial liability over a specified number of years and (2) normal cost (including administrative expenses) with interest. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this Plan year. The recommended rate of contribution for the City is 18.7% of annual covered payroll.

C. Pension Plan

Annual Pension Cost and Net Pension Obligation. The City has paid all required contributions and therefore has no net pension obligation. The City paid $260,971 of required pension costs in fiscal year 2011.

Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	$ 260,971	100%	--
2010	$ 309,039	100%	--
2009	$ 227,264	100%	--

Significant actuarial assumptions. The significant actuarial assumptions used to compute the actuarial liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

The significant actuarial assumptions used in the current valuation, as of January 1, 2011, are:

Actuarial Value of Assets	$ 2,836,708
Actuarial Accrued Liability	$ 3,703,234
Total Unfunded Actuarial Liability (UAAL)	$ 866,256
Funded Ratio	76.60%
Annual covered payroll	$ 1,757,806
UAAL as % of covered Payroll	49.30%
Rate of return on investment	7.75% per year
Projected salary increases	3.50% per year
Cost of living adjustment	3.50% per year

Membership of the plan:	
Retirees and beneficiaries receiving benefits	25
Terminated plan members entitled to, but not yet receiving benefits	16
Active plan members	50
Total	91

The Plan computes the actuarial value of assets by using the sum of the actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than market value at year end. The annual required contribution for the current year was determined using the projected unit credit actuarial cost method and the amortization method uses level dollar for remaining unfunded liability.

C. Pension Plan

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The City's policemen are also covered by the State of Georgia Police Officers Annuity and Benefit Plan. The City makes no contribution to this plan. Contributions are collected by the City as the agent for this fund through its municipal court system. This plan is administered through the State and is not included in the City's financial statements.

D. Commitments

The City has no significant commitments at June 30, 2011.

E. Prior Period Adjustment and Restatement

The following changes have been made to the beginning net assets of the Governmental Activities as summarized and described below:

	Governmental Activities
Beginning balances of net assets at June 30, 2011, as previously reported:	$ 4,822,701
Prior period adjustment to correct capital assets	10,540,716
Beginning balances of net assets at June 30, 2011, as restated:	$15,363,417

The net assets of Governmental Activities has been increased by $10,540,716 to record additional capital assets, net of depreciation, not recorded at the end of the prior year. Capital assets for Governmental Activities were increased to reflect City related SPLOST projects that were administered by the Houston County Board of Commissioners (HCBC) which should have been capitalized by the City. HCBC notified the City in FY 2011 that the costs of various road projects located within the City's limits for period prior to FY 2011 were not reported to the City, but had been inadvertently capitalized by HCBC.

F. Evaluation of Subsequent Events

The City assessed events that have occurred subsequent to June 30, 2011 through May 9, 2012 for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to the disclosures in the City's statements which were issued on May 9, 2012.

CITY OF CENTERVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS -
GEORGIA MUNICIPAL EMPLOYEES BENEFIT SYSTEM
JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (UAAL) (2-1)	Funded Ratio (1/2)	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll ((2-1)/3)
05/01/2009	$ 1,932,313	$ 3,466,280	$ 1,533,967	55.7%	$ 1,366,881	112.2%
01/01/2010	$ 2,557,456	$ 3,368,686	$ 811,230	75.9%	$ 1,370,903	59.2%
01/01/2011	$ 2,836,708	$ 3,703,234	$ 866,526	76.6%	$ 1,757,806	49.3%

Refer to accompanying independent auditor's report.

CITY OF CENTERVILLE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue	Capital Projects	
	Confiscated Assets	SPLOST	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 19,137	$ 189,344	$ 208,481
Total assets	$ 19,137	$ 189,344	$ 208,481
LIABILITIES AND FUND BALANCE			
Liabilities -			
Due to other funds	$ --	$ 19,380	$ 19,380
Fund balance:			
Restricted	--	169,964	169,964
Committed	19,137	--	19,137
Total fund balances	19,137	169,964	189,101
Total liabilities and fund balances	$ 19,137	$ 189,344	$ 208,481

Refer to accompanying independent auditor's report.

CITY OF CENTERVILLE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue	Capital Projects	
	Confiscated Assets	SPLOST	Total Nonmajor Governmental Funds
Revenues:			
Confiscations	$ 12,973	$ --	$ 12,973
Other taxes	--	250,351	250,351
Interest on investments	--	1,172	1,172
Total revenues	12,973	251,523	264,496
Expenditures:			
Current-			
Public safety	500	--	500
Capital outlay	--	41,264	41,264
Debt service:			
Principal	--	71,166	71,166
Interest	--	1,766	1,766
Total expenditures	500	114,196	114,696
Excess of revenues over expenditures	12,473	137,327	149,800
Other financing uses:			
Transfers out	--	(45,456)	(45,456)
Total other financing uses	--	(45,456)	(45,456)
Net change in fund balance	12,473	91,871	104,344
Fund balance, beginning of year	6,664	78,093	84,757
Fund balance, end of year	$ 19,137	$ 169,964	$ 189,101

Refer to accompanying independent auditor's report.

CITY OF CENTERVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CONFISCATED ASSETS - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues-				
Confiscations	$ --	$ 7,007	$ 12,973	$ 5,966
Total revenues	--	7,007	12,973	5,966
Expenditures:				
Current:				
Material and supplies	7,000	7,000	500	6,500
Capital outlay-				
Machinery and equipment -DOJ	--	7,007	--	7,007
Total expenditures	7,000	14,007	500	13,507
Net change in fund balance	(7,000)	(7,000)	12,473	$ 19,473
Fund balance, beginning of year	7,000	7,000	6,664	
Fund balance, end of year	$ --	$ --	$ 19,137	

Refer to accompanying independent auditor's report.

CITY OF CENTERVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPLOST - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Prior Years	Current Year	Total to Date	Original Projected Costs
REVENUES -				
Intergovernmental:				
Special purpose local option sales tax - 2006	$ 853,628	$ 250,351	$ 1,103,979	$ 1,500,000
Special purpose local option sales tax - 2001	2,144,044	--	2,144,044	2,035,000
Interest income - 2006 SPLOST	10,203	1,171	11,374	--
Interest income - 2001 SPLOST	73	1	74	--
Total revenues	3,007,948	251,523	3,259,471	3,535,000
EXPENDITURES -				
General government - 2006 SPLOST	124	36	160	--
Capital outlay:				
City Hall - 2001 SPLOST	2,141,704	2,348	2,144,052	2,035,000
Road construction/reconstruction	193,457	38,880	232,337	500,000
Water and sewer system improvement	347,011	--	347,011	525,000
Public Safety facilities and equipment	--	--	--	154,509
Debt service:				
Principal - 2006 SPLOST	209,058	71,166	280,224	280,224
Interest - 2006 SPLOST	38,501	1,766	40,267	40,267
Total expenditures	2,929,855	114,196	3,044,051	3,535,000
Other financing uses				
Transfers out	--	45,456	45,456	--
Total other financing balance	--	45,456	45,456	--
Excess of revenues over expenditures	$ 78,093	$ 91,871	$ 169,964	$ --
FUND BALANCES, Beginning		78,093		
FUND BALANCES, Ending		$ 169,964		

Refer to accompanying independent auditor's report.

CITY OF CENTERVILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2011

2001 Project Description	Estimated Cost		Expenditures		
Per Splost Referendum	Original	Current	Prior Years	Current Year	Total
City Hall	$ 2,035,000	$ 2,144,052	$ 2,141,704	$ 2,348	$ 2,144,052

2006 Project Description	Estimated Cost		Expenditures		
Per Splost Referendum	Original	Current	Prior Years	Current Year	Total
Roads,Streets & Sidewalks	$ 500,000	$ 500,000	$ 193,457	$ 38,880	$ 232,337
Water & Sewer Improvement	525,000	525,000	347,011	45,456	392,467
Public Safety Facilities & Equipment	475,000	475,000	247,683	72,968	320,651
Total	$ 1,500,000	$ 1,500,000	$ 788,151	$ 157,304	$ 945,455

Refer to accompanying independent auditor's report.

II. REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

NICHOLS, CAULEY & ASSOCIATES, LLC
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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, City Council and Management
City of Centerville, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Centerville, Georgia, as of and for the year ended June 30, 2011, which collectively comprise the City of Centerville, Georgia's basic financial statements and have issued our report thereon dated May 9, 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

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over financial reporting described in the accompanying schedule of findings and responses as item 2011-1 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2011-2 and 2011-3 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Centerville'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*.

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

This report is intended solely for the information and use of the Mayor, City Council and management and is not intended to be and should not be used by anyone other than these specified parties.

Nichols, Cauley & Associates, LLC

Warner Robins, Georgia

May 9, 2012

CITY OF CENTERVILLE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDIT RESULTS:

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

2. Significant deficiencies in internal control were disclosed by the audit of the City of Centerville, Georgia's financial statements (items 2011-1 through 2011-3), and we consider item 2011-1 to be a material weakness.

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

SIGNIFICANT DEFICIENCIES AND FINDINGS - FINANCIAL STATEMENTS AUDIT:

SIGNIFICANT DEFICIENCIES

2011-1 **Segregation of Duties**

COMMENT:

Due to the limited number of personnel, it is sometimes necessary for certain employees to perform duties that are conflicting from an internal control perspective. Overlapping of duties exists primarily in the areas of cash receipts, cash disbursements and reconciliation functions. This overlapping of duties presents a situation where unauthorized use of assets could occur and not be detected within a timely period.

RECOMMENDATION:

In all areas it is not always cost beneficial or practical to have adequate segregation of duties. In these cases, management should implement compensating controls, which include continually exercising alert supervision of employees, rotation of employee duties, and periodic internal reviews (audits) by management or others not directly involved in the day to day operations of the specific functions being reviewed.

MANAGEMENT'S RESPONSE:

Management concurs with the recommendation. We realize that with limited personnel, adequate segregation of duties is not possible. Therefore, to mitigate this internal control deficiency, we exercise alert supervision over all employees and perform limited internal audits. We use internal audits to focus on those functions in which adequate segregation of duties is not present.

CITY OF CENTERVILLE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2011

2011-2 **Accountability for Water Pumped and Sold**

COMMENT:

Our review of the utility department's monthly reports of gallons of water pumped and sold indicated a total of 37,627,276 gallons of water, or 10% of gallons sold, were unaccounted for during fiscal year 2011.

RECOMMENDATION:

We recommend that the City continue in its efforts to reduce the unaccounted for gallons of water and to ensure that all water consumption by customers is being properly metered and billed.

MANAGEMENT'S RESPONSE:

We concur with this recommendation. The City is continuing with its residential meter change-out program and repairs all water leaks as soon as possible. The discrepancy of water sold vs. water pumped has decreased from 14% in FY2010 to 10% in FY2011 as well as the total number of gallons has decreased from 47,531,462 for FY2010 to 37,627,276 for FY2011.

2011-3 **Capital Assets**

COMMENT:

The City's construction in progress and capital outlay accounts did not include amounts for projects being administered by the County. The County supervised construction of the capital projects and incorrectly capitalized the costs. These costs should have been capitalized by the City. However, historically there has not been a formal communication process in place between the City and County to manage and account for the County administered projects. Audit adjustments were made to increase construction in progress by $231,083. In addition, a prior period adjustment increasing construction in progress and capital outlay accounts by $10,540,716 was required.

RECOMMENDATION:

We recommend that the City monitor and formalize a communication process with the County to ensure the City capitalizes all construction projects that represent capital assets of the City.

MANAGEMENT'S RESPONSE:

We concur with this recommendation. The City has formalized a communication process with the County to ensure the City capitalizes all future construction projects that are administered by the County.

CITY OF CENTERVILLE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2011

FINDINGS

Our audit did not disclose any audit findings that we are required to report.

PRIOR YEAR SIGNIFICANT DEFICIENCIES AND FINDINGS

Prior Year Significant Deficiencies - Current year significant deficiencies 2011-1 and 2011-2 were significant deficiencies in the prior year.

Prior Year Findings – The prior year audit did not disclose any audit findings for the year ended June 30, 2010.