CITY OF CENTERVILLE, GEORGIA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

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
A Professional Services Firm of:
Certified Public Accountants
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Certified Government Auditing Professionals
Certified Financial Planners ™
Certified Valuation Analysts

Atlanta • Clarkesville • Dublin • Warner Robins
www.nicholscauley.com

REPLY TO:
400 Corder Road
Warner Robins, Georgia 31088
478-929-3888
FAX 478-923-7896

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, each major fund, and the aggregate remaining fund information of the City of Centerville, Georgia, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. 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, 2012, 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, each major fund, and the aggregate remaining fund information of the City of Centerville, Georgia, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In 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, 2012, and the respective changes in financial position and accompanying budgetary comparisons, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 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 9 and the Schedule of Funding Progress on page 45 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 51 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, 2012, the end of the fiscal year covered by this audit.

Nichols, Cauley & Associates, LLC

Warner Robins, Georgia

December 5, 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, 2012. 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 $6,866.4 thousand and net assets of governmental activities were $16,964.1 thousand.

- The current year's expense total was $3,757.0 thousand as compared to the $4,916.0 thousand generated in fees and charges, grants, general revenues, and taxes for governmental programs. In the previous year, expenses were $3,590.3 thousand as compared to the $3,799.7 thousand generated in fees and charges, grants, general revenues, and taxes for governmental programs.

- For business-type activities, City revenues were $3,271.4 thousand and expenses were $2,486.7 thousand.

- The annual cost of all City programs was $6,243.7 thousand. The previous year's cost was $5,978.7 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	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 2,878.9	$ 2,554.9	$ 4,284.6	$ 3,696.8	$ 7,163.5	$ 6,251.7
Capital assets	14,332.4	13,534.3	3,692.0	3,807.5	18,024.4	17,341.8
Total assets	17,211.3	16,089.2	7,976.6	7,504.3	25,187.9	23,593.5
Current and other liabilities	175.3	145.4	513.4	700.9	688.7	846.3
Noncurrent liabilities	71.9	138.7	596.8	721.7	668.7	860.4
Total liabilities	247.2	284.1	1,110.2	1,422.6	1,357.4	1,706.7
Net assets:						
Invested in capital assets, net of related debt	14,332.4	13,418.2	2,996.8	2,759.5	17,329.2	16,177.7
Restricted	84.5	--	0.5	401.0	85.0	401.0
Unrestricted	2,547.2	2,386.9	3,869.1	2,921.2	6,416.3	5,308.1
Total net assets	$ 16,964.1	$ 15,805.1	$ 6,866.4	$ 6,081.7	$ 23,830.5	$ 21,886.8

CITY AS A WHOLE

The City's combined net assets from the previous year were $21,866.8 thousand as compared to $23,830.5 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 $16,964.1 thousand this year compared to $15,805.1 last year. Combined unrestricted net assets were $5,308.1 thousand last year compared to $6,416.3 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 $6,866.4 thousand this year as compared to $6,081.7 thousand last year.

City revenues for the current year were $8,076.7 thousand as compared to $7,101.2 thousand in the previous year. The total yearly cost of all programs and services was $6,243.7 thousand as compared to $5,978.7 thousand in the previous year.

Table 2
Changes in Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	$ 494.1	$ 421.3	$ 3,158.2	$ 3,221.5	$ 3,652.3	$ 3,642.8
Restricted operating grants	40.6	71.0	--	--	40.6	71.0
Restricted capital grants	1,104.2	298.6	--	--	1,104.2	298.6
General revenues:						
Property taxes	2,293.1	2,255.8	--	--	2,293.1	2,255.8
Other taxes	851.2	725.0	--	--	851.2	725.0
Interest and investment income	-	0.1	4.1	7.1	4.1	7.2
Other general revenues	22.1	1.9	109.1	98.9	131.2	100.8
Total revenues	4,805.3	3,773.7	3,271.4	3,327.5	8,076.7	7,101.2
Program expenses:						
General government	737.6	703.7	--	--	737.6	703.7
Municipal court	89.4	85.6	--	--	89.4	85.6
Public safety	2,335.8	2,426.9	--	--	2,335.8	2,426.9
Public works	589.3	366.2	--	--	589.3	366.2
Beautification	--	-	--	--	--	-
Culture and recreation	--	-	--	--	--	-
Interest on long-term debt	4.9	7.9	--	--	4.9	7.9
Business activities:						
Water and sewer	--	--	1,836.4	1,787.1	1,836.4	1,787.1
Sanitation	--	--	650.3	601.3	650.3	601.3
Total expenses	3,757.0	3,590.3	2,486.7	2,388.4	6,243.7	5,978.7
Excess before contributions intergovernmental and transfers	1,048.3	183.4	784.7	939.1	1,833.0	1,122.5
Contributions	11.1	26.0	--	--	11.1	26.0
Intergovernmental	99.6	--	--	--	99.6	--
Transfers	--	232.3	--	(232.3)	--	--
Increase in net assets	$ 1,159.0	$ 441.7	$ 784.7	$ 706.8	$ 1,943.7	$ 1,148.5

GOVERNMENTAL ACTIVITIES

This year's governmental activities revenues were $4,805.3 thousand as compared to $3,773.7 thousand last year. This increase is primarily attributable to increases in restricted capital grants related to SPLOST of $805.6 thousand as well as an increase in other taxes of $126.2 thousand. The year's governmental activities cost was $3,757.0 thousand as compared to $3,590.3 thousand in the previous year. The increase is primarily attributable to public works expenditure increase of $223.1 thousand partially offset by a public safety expenditure decrease of $91.1 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	
	2012	2011	2012	2011
Police Department	$ 1,468.7	$ 1,581.1	$ 960.7	$ 1,087.7
Fire Department	867.1	845.8	867.1	845.8
Public Works	589.3	366.2	(387.1)	200.4
All Others	831.9	797.2	677.5	665.5
Total	$ 3,757.0	$ 3,590.3	$ 2,118.2	$ 2,799.4

BUSINESS-TYPE ACTIVITIES

This year Business-type activities revenues (see Table 2) were $3,271.4 thousand as compared to $3,327.5 thousand last year. This decrease was primarily due to a decrease in charges for services of $63.3 thousand. This year's expenses increased from those of the previous year. This year's expenses were $2,486.7 thousand as compared to $2,388.4 thousand in the previous year. This increase was mostly attributable to an increase in operating expenses primarily attributed to an increase in contractual services of $113.5 thousand partially offset by a decrease in supplies of $55.2 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 $62.9 thousand increase. This difference is mainly attributable to a combined increase in public safety expenditures of $42.3 thousand, in general government expenditures of $8.5 thousand and in public works expenditures of $12.0 thousand.

CITY FUNDS

At year end, the City reported a governmental funds balance of $2,721.6 thousand as compared to $2,466.4 thousand in the previous year.

CAPITAL ASSETS

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land and improvements	$ 262.6	$ 262.6	$ 21.8	$ 21.8	$ 284.4	$ 284.4
Construction in progress	206.9	6,861.2	22.4	15.4	229.3	6,876.6
Buildings and improvements	1,821.2	1,865.8	8.4	8.9	1,829.6	1,874.7
Infrastructure	11,888.4	4,324.7	3,490.6	3,610.6	15,379.0	7,935.3
Equipment	153.3	220.0	148.8	150.8	302.1	370.8
Totals	$ 14,332.4	$ 13,534.3	$ 3,692.0	$ 3,807.5	$ 18,024.4	$ 17,341.8

At the close of the year, the City had invested $18,024.4 thousand in capital assets such as land, buildings and improvements, equipment or infrastructure (see Table 4). $17,341.8 thousand was invested in similar assets last year.

Additional information of the City of Centerville's capital assets can be found in Note III-D beginning on page 34 of this report.

DEBT MANAGEMENT

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenue bonds and notes (backed by specific tax and fee revenues)	$ --	$ --	$ 106.1	$ 415.2	$ 106.1	$ 415.2
Other bonds or oustanding obligations	89.9	195.6	624.0	665.9	713.9	861.5
Totals	$ 89.9	$ 195.6	$ 730.1	$ 1,081.1	$ 820.0	$ 1,276.7

At the close of the year, the City had $820.0 thousand in outstanding bonds, notes and other obligations as compared to $1,276.7 thousand in the previous year (see Table 5).

Refer to Note III-F beginning on page 37 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:

Dwight Williams
300 Church Street
Centerville, Georgia 31028
Phone: 478-953-4734
Fax: 478-953-4797
cityaccountant@centerville.mgacoxmail.com

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash	$ 2,701,885	$ 2,297,037	$ 4,998,922
Receivables:			
Taxes	4,436	--	4,436
Accounts	71,104	60,916	132,020
Intergovernmental	101,476	--	101,476
Unbilled accounts	--	259,651	259,651
Accrued interest	--	278	278
Inventory, at cost	--	112,147	112,147
Prepaid items	--	36,056	36,056
Restricted assets-			
Cash and cash equivalents	--	1,518,507	1,518,507
Capital assets not being depreciated:			
Land	262,575	21,827	284,402
Construction in progress	206,887	22,385	229,272
Capital assets, net of accumulated depreciation:			
Buildings and improvements	1,821,199	8,376	1,829,575
Infrastructure	11,888,446	3,490,684	15,379,130
Machinery and equipment	153,310	148,732	302,042
Total assets	$17,211,318	$ 7,976,596	$ 25,187,914

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES:			
Accounts payable	$ 142,457	$ 136,229	$ 278,686
Other liabilities	14,816	7,468	22,284
Deferred revenue	20	--	20
Customer deposits	--	236,390	236,390
Payables from restricted assets -			
Revenue bonds payable - current	--	106,094	106,094
Compensated absences	17,986	6,965	24,951
Notes payable - other	--	20,292	20,292
Noncurrent liabilities:			
Compensated absences	71,944	27,860	99,804
Notes payable - other	--	568,860	568,860
Total liabilities	247,223	1,110,158	1,357,381
NET ASSETS:			
Invested in capital assets, net of related debt	14,332,417	2,996,758	17,329,175
Restricted for capital projects	84,496	--	84,496
Restricted for revenue bonds payable	--	564	564
Unrestricted	2,547,182	3,869,116	6,416,298
Total net assets	16,964,095	6,866,438	23,830,533
Total liabilities and net assets	$ 17,211,318	$ 7,976,596	$ 25,187,914

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

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Governmental activities:			
General government	$ 737,613	$ 154,376	$ --
Municpal court	89,413	--	--
Public safety	2,335,773	339,500	40,555
Public works	589,353	192	--
Interest on long-term debt	4,914	--	--
Total governmental activities	3,757,066	494,068	40,555
Business-type activities:			
Water and sewer	1,836,375	2,290,713	--
Sanitation	650,290	867,494	--
Total business-type activities	2,486,665	3,158,207	--
Total primary government	$ 6,243,731	$ 3,652,275	$ 40,555

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

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
$ --	$ (583,237)	$ --	$ (583,237)
--	(89,413)	--	(89,413)
127,938	(1,827,780)	--	(1,827,780)
976,291	387,130	--	387,130
--	(4,914)	--	(4,914)
1,104,229	(2,118,214)	--	(2,118,214)
--	--	454,338	454,338
--	--	217,204	217,204
--	--	671,542	671,542
$ 1,104,229	(2,118,214)	671,542	(1,446,672)
	2,293,116	--	2,293,116
	38,993	--	38,993
	341,851	--	341,851
	120,866	--	120,866
	335,271	--	335,271
	14,255	--	14,255
	22,051	109,115	131,166
	28	4,073	4,101
	11,125	--	11,125
	99,633	--	99,633
	3,277,189	113,188	3,390,377
	1,158,975	784,730	1,943,705
	15,805,120	6,081,708	21,886,828
	$ 16,964,095	$ 6,866,438	$ 23,830,533

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

CITY OF CENTERVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 2,545,090	$ 156,795	$ 2,701,885
Receivables, (net of write-offs):			
Taxes	4,436	--	4,436
Accounts	71,104	--	71,104
Intergovernmental	1,843	99,633	101,476
Due from other funds	55,132	--	55,132
Total assets	$ 2,677,605	$ 256,428	$ 2,934,033
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	$ 51,891	$ 90,566	$ 142,457
Accrued liabilities	14,816	--	14,816
Due to other funds	--	55,132	55,132
Deferred revenue	20	--	20
Total liabilities	66,727	145,698	212,425
Fund balances:			
Restricted - Capital projects	--	84,496	84,496
Committed - Law enforcement	--	26,234	26,234
Unassigned	2,610,878	--	2,610,878
Total fund balances	2,610,878	110,730	2,721,608
Total liabilities and fund balances	$ 2,677,605	$ 256,428	
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.			14,332,417
Certain liabilities, such as compensated absences are not due and payable in the current period and, therefore, are not reported in the funds			(89,930)
Net assets of governmental activities (page 10)			$16,964,095

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, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
General property taxes	$ 2,293,116	$ --	$ 2,293,116
Other taxes	851,236	--	851,236
Licenses and permits	154,376	--	154,376
Intergovernmental revenues	85,715	354,141	439,856
Charges for services	192	--	192
Fines and forfeitures	328,759	10,741	339,500
Interest on investments	28	917	945
Donations	11,125	--	11,125
Other revenues	22,051	--	22,051
Total revenues	3,746,598	365,799	4,112,397
Expenditures:			
Current:			
General government	652,737	--	652,737
Municipal court	89,413	--	89,413
Public safety	2,369,944	3,644	2,373,588
Public works	276,126	--	276,126
Capital outlay	--	344,311	344,311
Debt service:			
Principal	24,237	91,852	116,089
Interest	551	4,363	4,914
Total expenditures	3,413,008	444,170	3,857,178
Excess (deficit) of revenues over expenditures	333,590	(78,371)	255,219
Net change in fund balance	333,590	(78,371)	255,219
Fund balance, beginning of year	2,277,288	189,101	2,466,389
Fund balance, end of year	$ 2,610,878	$ 110,730	$ 2,721,608

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, 2012

Amounts reported for governmental activities in the statement of activities (page 11) are different because:	
Net change in fund balances - total governmental funds (page 13)	$ 255,219
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 depreciation exceeded capital outlays in the current period.	(5,522)
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.	803,644
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 increased.	(10,461)
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.	116,095
Change in net assets of governmental activities (page 11)	$ 1,158,975

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, 2012

	Budgeted Amounts			Variance Final Budget with Actual
	Original	Final	Actual	Over (Under)
Revenues:				
Taxes	$ 3,001,344	$ 3,001,344	$ 3,144,352	$ 143,008
Licenses and permits	132,562	132,562	154,376	21,814
Intergovernmental	54,495	81,795	85,715	3,920
Charges for services	204	204	192	(12)
Fines and forfeitures	258,570	258,570	328,759	70,189
Interest on investments	100	100	28	(72)
Donations	0	9,669	11,125	1,456
Other	1,000	1,000	22,051	21,051
Total revenues	3,448,275	3,485,244	3,746,598	261,354
Expenditures:				
Current:				
General government:				
Legislative	68,666	73,016	55,790	17,226
Executive	104,264	107,386	103,516	3,870
Financial administration	346,358	346,358	327,997	18,361
Law	170,155	171,208	165,434	5,774
Total general government	689,443	697,968	652,737	45,231
Municipal court	96,595	96,595	89,413	7,182
Public safety:				
Fire	862,884	871,322	867,104	4,218
Police	1,552,221	1,580,752	1,441,539	139,213
Animal control	57,415	62,735	61,301	1,434
Total public safety	2,472,520	2,514,809	2,369,944	144,865
Public works - Streets	216,646	228,646	203,355	25,291
Protective Inspection	74,552	74,552	72,771	1,781
Debt service:				
Principal	24,237	24,237	24,237	--
Interest	511	551	551	--
Total debt service	24,748	24,788	24,788	--
Total expenditures	3,574,504	3,637,358	3,413,008	224,350
Excess (deficit) of revenues over expenditures	(126,229)	(152,114)	333,590	485,704
Other financing sources (uses):				
Transfers in	267,724	267,724	--	(267,724)
Total other financing sources (uses)	267,724	267,724	--	(267,724)
Net change in fund balance	$ 141,495	$ 115,610	333,590	$ 217,980
Fund balance, beginning of year			2,277,288	
Fund balance, end of year			$ 2,610,878	

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

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,297,037	$ --	$ 2,297,037
Receivables, net of write-offs:			
Accounts	47,982	12,934	60,916
Unbilled accounts	185,430	74,221	259,651
Accrued interest	278	--	278
Inventory, at cost	112,147	--	112,147
Prepaids	36,056	--	36,056
Due from other funds	--	246,353	246,353
Restricted cash -			
Cash and cash equivalents	108,630	--	108,630
Total current assets	2,787,560	333,508	3,121,068
Noncurrent assets:			
Restricted cash -			
Cash and cash equivalents	1,409,877	--	1,409,877
Capital assets:			
Land and improvements	21,827	--	21,827
Construction in progress	22,385	--	22,385
Buildings and improvements	45,558	--	45,558
Infrastructure	6,212,938	--	6,212,938
Machinery and equipment	531,364	17,500	548,864
Accumulated depreciation	(3,143,672)	(15,896)	(3,159,568)
Capital assets, net	3,690,400	1,604	3,692,004
Total noncurrent assets	5,100,277	1,604	5,101,881
Total assets	$ 7,887,837	$ 335,112	$ 8,222,949

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	$ 83,034	$ 53,195	$ 136,229
Other liabilities	4,932	--	4,932
Due to other funds	246,353	--	246,353
Compensated absences	6,965	--	6,965
Customer deposits	236,390	--	236,390
Notes payable	20,292	--	20,292
Payable from restricted assets:			
Revenue bonds payable	106,094	--	106,094
Accrued interest payable	2,536	--	2,536
Total current liabilities	706,596	53,195	759,791
Noncurrent liabilities:			
Compensated absences	27,860	--	27,860
Notes payable (net of current portion)	568,860	--	568,860
Total noncurrent liabilities	596,720	--	596,720
Total liabilities	1,303,316	53,195	1,356,511
Net assets:			
Invested in capital assets, net of related debt	2,995,154	1,604	2,996,758
Restricted for revenue bonds payable	564	--	564
Unrestricted	3,588,803	280,313	3,869,116
Total net assets	6,584,521	281,917	6,866,438
Total liabilities and net assets	$ 7,887,837	$ 335,112	$ 8,222,949

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, 2012

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 16)	$	8,222,949
Elimination of interfund receivable from Water and Sewer to Sanitation reflected as due from other funds		(246,353)
Total assets for Statement of Net Assets - Business-type Activities (page 10)	$	7,976,596

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 16)	$	8,222,949
Elimination of interfund payables from Water and Sewer to Sanitation reflected as due to other funds		(246,353)
Total liabilities and net assets for Statement of Net Assets - Business-type Activities (page 10)	$	7,976,596

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Operating revenues:			
Charges for services	$ 2,290,713	$ 867,494	$ 3,158,207
Other	109,115	--	109,115
Total operating revenues	2,399,828	867,494	3,267,322
Operating expenses:			
Personal services	687,690	--	687,690
Contractual services	561,251	619,162	1,180,413
Supplies	178,250	2,543	180,793
Materials	103,848	--	103,848
Heat, light, power and telephone	83,534	--	83,534
Bad debt expense	995	25,835	26,830
Amortization of bond issue cost	2,500	--	2,500
Depreciation	182,062	2,750	184,812
Total operating expenses	1,800,130	650,290	2,450,420
Operating income	599,698	217,204	816,902
Nonoperating revenues (expenses):			
Interest revenue	4,073	--	4,073
Interest expense	(37,445)	--	(37,445)
Gain on disposal of capital assets	1,200	--	1,200
Total nonoperating expenses, net	(32,172)	--	(32,172)
Change in net assets	567,526	217,204	784,730
Net assets, beginning	6,016,995	64,713	6,081,708
Net assets, ending	$ 6,584,521	$ 281,917	$ 6,866,438

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, 2012

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Cash flows from operating activities:			
Cash received from customers	$ 2,360,994	$ 882,530	$ 3,243,524
Cash received from rents and reimbursements	109,115	--	109,115
Cash paid to suppliers for goods and services	(143,081)	(882,530)	(1,025,611)
Cash paid to employees for services	(456,263)	--	(456,263)
Cash paid for contractual services	(561,251)	--	(561,251)
Cash paid for employee taxes and benefits	(244,522)	--	(244,522)
Net cash provided by operating activities	1,064,992	--	1,064,992
Cash flows from capital financing activities:			
Principal paid on revenue bonds	(309,156)	--	(309,156)
Payment of bond interest	(38,611)	--	(38,611)
Acquisition and construction of capital assets	(69,296)	--	(69,296)
Payment of notes payable	(43,662)	--	(43,662)
Proceeds from sale of capital assets	1,200	--	1,200
Net cash used by capital financing activities	(459,525)	--	(459,525)
Cash flows from investing activities -			
Interest revenue	4,070	--	4,070
Net cash provided by investing activities	4,070	--	4,070
Net increase in cash and cash equivalents	609,537	--	609,537
Cash and cash equivalents, beginning of year	3,206,007	--	3,206,007
Cash and cash equivalents, end of year	$ 3,815,544	$ --	$ 3,815,544
Summary per statement of net assets:			
Cash	$ 2,297,037	$ --	$ 2,297,037
Restricted cash:			
Cash - current	108,630	--	108,630
Cash - non-current	1,409,877	--	1,409,877
Total cash	$ 3,815,544	$ --	$ 3,815,544

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, 2012

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 599,698	$ 217,204	$ 816,902
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation	182,062	2,750	184,812
Amortization of bond issue cost	2,500	--	2,500
Decrease (increase) in assets:			
Accounts receivable	(12,770)	(5,817)	(18,587)
Unbilled accounts	62,046	(4,982)	57,064
Prepaids	(3,212)	--	(3,212)
Due from other funds	16,552	(212,073)	(195,521)
Inventory	(32,603)	--	(32,603)
Increase (decrease) in liabilities:			
Accounts payable	29,741	2,918	32,659
Other liabilities	(14,830)	--	(14,830)
Due to other funds	212,073	--	212,073
Compensated absences	1,735	--	1,735
Customer deposits	22,000	--	22,000
Total adjustments	465,294	(217,204)	248,090
Net cash provided by operating activities	$ 1,064,992	$ --	$1,064,992

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

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Municipal Court Fund
ASSETS	
Cash	$ 16,033
Due from others	1,597
Total assets	$ 17,630
LIABILITIES	
Due to others	$ 17,630
Total liabilities	$ 17,630

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

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.

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.).

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 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 20, 2011
Lien date	January 1, 2011
Due date	December 20, 2011
Collection dates	November 19, 2011 – December 20, 2011
Delinquent date	December 20, 2011

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

As of June 30, 2012, 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, 2012 follows:

Account Balances		
Petty cash	$	1,100
Demand deposits		6,392,658
Certificates of deposit		123,671
	$	6,517,429

Ownership of Funds		
Primary government:		
Governmental funds -		
Cash	$	2,701,885
Proprietary funds:		
Cash		2,297,037
Revenue bond - current		108,630
Revenue bond - noncurrent		1,409,877
		3,815,544
Total reporting entity	$	6,517,429

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, 2012, 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. Due From (To) Other Governments

The following is a summary of the amounts due from (to) other governments at June 30, 2012:

Government	Fund	Due From (To)
Georgia Department of Transportation (DOT)	DOT Sidewalk Grant	$ 99,633
Governor's Office of Highway Saftey	General Fund	1,843
Total due from other governments		$ 101,476

C. Leases

Operating Leases

The City leases police cars and equipment under operating leases. Total costs for such leases were $104,988 for the year ended June 30, 2012. The future minimum lease payments as of June 30, 2012, are as follows:

Year ending June 30,	Amount
2013	$ 30,327
2014	4,175
2015	2,218
2016	1,884
Total minimum lease payments	$ 38,604

Capital Leases

The City has entered into a municipal lease/purchase agreement for the purchase of a fire truck. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The lease of the fire truck was paid in full as of June 30, 2012.

The assets acquired through capital leases are as follows:

	Governmental Activities		
	Cost	Accumulated Depreciation	Net Book Value
Machinery and equipment	$ 164,689	$ 74,110	$ 90,579

The lease of the fire truck was paid in full as of June 30, 2012. There are no future minimum lease payments.

D. Capital Assets

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

Primary Government

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 262,575	$ --	$ --	$ 262,575
Construction in progress	6,861,182	187,637	6,841,932	206,887
Total capital assets not being depreciated	7,123,757	187,637	6,841,932	469,462
Capital assets, being depreciated:				
Buildings and improvements	2,225,192	--	--	2,225,192
Infrastructure	4,706,336	7,802,185	--	12,508,521
Machinery and equipment	862,850	17,300	--	880,150
Total capital assets being depreciated	7,794,378	7,819,485	-	15,613,863
Less accumulated depreciation for:				
Buildings and improvements	359,400	44,593	--	403,993
Infrastructure	381,642	238,433	--	620,075
Machinery and equipment	642,798	84,042	--	726,840
Total accumulated depreciaiton	1,383,840	367,068	--	1,750,908
Total capital assets being depreciated, net	6,410,538	7,452,417	--	13,862,955
Governmental activities capital assets, net	$ 13,534,295	$ 7,640,054	$ 6,841,932	$ 14,332,417

D. Capital Assets

Primary Government

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 21,827	$ --	$ --	$ 21,827
Construction in progress	15,385	7,000	--	22,385
Total capital assets not being depreciated	37,212	7,000	--	44,212
Capital assets, being depreciated:				
Buildings and improvements	45,558	--	--	45,558
Infrastructure	6,197,205	15,732	--	6,212,937
Machinery and equipment	513,053	46,564	10,753	548,864
Total capital assets being depreciated	6,755,816	62,296	10,753	6,807,359
Less accumulated depreciation for:				
Buildings and improvements	36,682	500	--	37,182
Infrastructure	2,586,644	135,609	--	2,722,253
Machinery and equipment	362,182	48,703	10,753	400,132
Total accumulated depreciaiton	2,985,508	184,812	10,753	3,159,567
Total capital assets being depreciated, net	3,770,308	(122,516)	--	3,647,792
Business-type activities capital assets, net	$ 3,807,520	$ (115,516)	$ --	$ 3,692,004

D. Capital Assets

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

Governmental activities:	
General government	$ 74,415
Public safety	55,772
Public works	2,760
Streets	234,121
Total depreciation expense - governmental activities	$ 367,068
Business-type activities:	
Water and sewer	$ 182,062
Sanitation	2,750
Total depreciation expense - business-type activities	$ 184,812

E. Interfund Receivables and Payables

A summary of individual interfund receivable and payable balances at June 30, 2012, and a summary of fund transfers for the year then ended follows:

Receivable Fund	Payable Fund	Amount
Governmental activities:		
General	DOT Sidewalk Grant	$ 49,474
General	SPLOST	5,658
Total governmental activities		55,132
Business-type activities:		
Sanitation	Water and Sewer	246,353
Total business-type activities		246,353
Total		$ 301,485

F. Long-Term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended June 30, 2012:

	Beginning Balance	Additions	Payments/ Retirements	Ending Balance	Current Portion	Long-term Portion
Governmental activities:						
Compensated absences payable	$ 79,469	$ 10,461	$ -	$ 89,930	$ 17,986	$ 71,944
Notes payable - other	24,243	--	(24,243)	--	--	--
Capital leases	91,852	--	(91,852)	--	--	--
Governmental activity - long-term liabilities	$ 195,564	$ 10,461	$ (116,095)	$ 89,930	$ 17,986	$ 71,944
Business-type activities:						
Compensated absences payable	$ 33,090	$ 1,735	$ --	$ 34,825	$ 6,965	$ 27,860
Notes payable-other	632,814	--	(43,662)	589,152	20,292	568,860
Revenue bonds payable	415,250	--	(309,156)	106,094	106,094	--
Business-type activity - long-term liabilities	$ 1,081,154	$ 1,735	$ (352,818)	$ 730,071	$ 133,351	$ 596,720

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, 2012:

	Balance June 30, 2011	Additions	Payments	Balance June 30, 2012
BB&T	$ 24,243	$ --	$ (24,243)	$ --
	$ 24,243	$ --	$ (24,243)	$ --

F. Long-Term Obligations

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 agreement was paid in full as of June 30, 2012.

Notes Payable – Other – Business-Type Activities

Notes payable – other in the Business-Type Activities consists of the following as of June 30, 2012:

	Balance June 30, 2011	Additions	Payments	Balance June 30, 2012
BB&T	$ 24,243	$ --	$ (24,243)	$ --
GEFA	608,571	--	(19,419)	589,152
	$ 632,814	$ -	$ (43,662)	$ 589,152

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 agreement was paid in full as of June 30, 2012.

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 balance of the advances as of June 1, 2011 was $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.

F. Long-Term Obligations

The requirements to amortize the loan payable to GEFA as of June 30, 2012, are as follows:

Year Ended June 30,	Principal	Interest	Total Payment
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	24,188	21,620	45,808
2018-2022	138,242	90,799	229,041
2023-2027	172,191	56,850	229,041
2028-2031	167,735	15,500	183,235
Total	$ 589,152	$ 281,205	$ 870,357

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, 2012	$ 106,094
Current portion	106,094
Long-term portion	$ --

F. Long-Term Obligations

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 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, 2012, including interest payments of $942, are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2013	$ 106,094	$ 942	$ 107,036
Total	$ 106,094	$ 942	$ 107,036

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, 2012. 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 2012.

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 14.03% of expected 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 $272,123 of required pension costs in fiscal year 2012.

Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	$ 272,123	100%	--
2011	$ 260,971	100%	--
2010	$ 309,039	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, 2012, are:

Actuarial Value of Assets	$ 3,114,560
Actuarial Accrued Liability	$ 3,855,021
Total Unfunded Actuarial Liability (UAAL)	$ 740,461
Funded Ratio	80.79%
Annual covered payroll	$ 1,723,981
UAAL as % of covered Payroll	42.95%
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	24
Terminated plan members entitled to, but not yet receiving benefits	17
Active plan members	53
Total	94

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, 2012.

E. Evaluation of Subsequent Events

The City assessed events that have occurred subsequent to June 30, 2012 through December 5, 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 December 5, 2012.

CITY OF CENTERVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS -
GEORGIA MUNICIPAL EMPLOYEES BENEFIT SYSTEM
JUNE 30, 2012

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)
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%
01/01/2012	$ 3,114,560	$ 3,855,021	$ 740,461	80.8%	$ 1,723,981	43.0%

Refer to accompanying independent auditor's report.

CITY OF CENTERVILLE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue	Capital Projects
	Confiscated Assets	SPLOST
ASSETS		
Cash and cash equivalents	$ 26,234	$ 130,561
Due from other governments	--	--
Total assets	$ 26,234	$ 130,561
LIABILITIES AND FUND BALANCE		
Liabilities -		
Accounts payable	$ --	$ 40,407
Due to other funds	--	5,658
Total liabilities	--	46,065
Fund balance:		
Restricted	--	84,496
Committed	26,234	--
Total fund balances	26,234	84,496
Total liabilities and fund balances	$ 26,234	$ 130,561

Capital Projects			
DOT Sidewalk Grant	Subtotal	Total Nonmajor Governmental Funds
$ --	$ 130,561	$ 156,795
99,633	99,633	99,633
$ 99,633	$ 230,194	$ 256,428
$ 50,159	$ 90,566	$ 90,566
49,474	55,132	55,132
99,633	145,698	145,698
--	84,496	84,496
--	--	26,234
--	84,496	110,730
$ 99,633	$ 230,194	$ 256,428

CITY OF CENTERVILLE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue	Capital Projects
	Confiscated Assets	SPLOST
Revenues:		
Confiscations	$ 10,741	$ --
Intergovernmental	--	254,508
Interest on investments	--	917
Total revenues	10,741	255,425
Expenditures:		
Current-		
Public safety	3,644	--
Capital outlay	--	244,678
Debt service:		
Principal	--	91,852
Interest	--	4,363
Total expenditures	3,644	340,893
Excess (deficit) of revenues over expenditures	7,097	(85,468)
Fund balance, beginning of year	19,137	169,964
Fund balance, end of year	$ 26,234	$ 84,496

Capital Projects			
DOT Sidewalk Grant	Subtotal		Total Nonmajor Governmental Funds
$ --	$ --	$	10,741
99,633	354,141		354,141
--	917		917
99,633	355,058		365,799
--	--		3,644
99,633	344,311		344,311
--	91,852		91,852
--	4,363		4,363
99,633	440,526		444,170
--	(85,468)		(78,371)
--	169,964		189,101
$ --	$ 84,496	$	110,730

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, 2012

	Budgeted Amounts			Variance With Final
	Original	Final	Actual	Budget
Revenues-				
Confiscations	$ --	$ --	$ 10,741	$ 10,741
Total revenues	--	--	10,741	10,741
Expenditures:				
Current:				
Material and supplies - State	6,164	6,164	500	5,664
Material and supplies - DOJ	12,836	12,836	3,144	9,692
Total expenditures	19,000	19,000	3,644	15,356
Net change in fund balance	(19,000)	(19,000)	7,097	$ 26,097
Fund balance, beginning of year	19,000	19,000	19,137	
Fund balance, end of year	$ --	$ --	$ 26,234	

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, 2012

	Prior Years	Current Year	Total to Date	Original Projected Costs
REVENUES -				
Intergovernmental:				
Special purpose local option sales tax - 2012	$ --	$ --	$ --	$ 5,050,000
Special purpose local option sales tax - 2006	1,103,979	254,508	1,358,487	1,500,000
Interest income - 2006 SPLOST	11,374	917	12,291	--
Total revenues	1,115,427	255,425	1,370,852	6,550,000
EXPENDITURES -				
General government - 2006 SPLOST	160	--	160	--
Capital outlay:				
Road construction/reconstruction - 2012	--	--	--	706,500
Water and sewer system improvement - 2012	--	--	--	706,500
Public safety facilities and equipment - 2012	--	18,146	18,146	3,000,000
Road construction/reconstruction - 2006	232,337	168,332	400,669	500,000
Water and sewer system improvement - 2006	347,011	--	347,011	525,000
Public Safety facilities and equipment - 2006	--	58,200	58,200	154,509
Debt service:				
Principal - 2012 SPLOST	--	--	--	589,151
Interest - 2012 SPLOST	--	--	--	47,849
Principal - 2006 SPLOST	280,224	91,852	372,076	280,224
Interest - 2006 SPLOST	40,267	4,363	44,630	40,267
Total expenditures	899,999	340,893	1,240,892	6,550,000
Other financing uses -				
Transfers out	45,456	--	45,456	--
Total other financing uses	45,456	--	45,456	--
Excess (deficit) of revenues over expenditures	$ 169,972	(85,468)	$ 84,504	$ --
FUND BALANCES, Beginning		169,964		
FUND BALANCES, Ending		$ 84,496		

Refer to accompanying independent auditor's report.

CITY OF CENTERVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DOT SIDEWALK GRANT - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES -				
Intergovernmental:				
Grants - State - Department of Transportation	$ 200,000	$ 200,000	$ 99,633	$ 100,367
Total revenues	200,000	200,000	99,633	100,367
EXPENDITURES -				
Capital outlay:				
Infrastructure	200,000	200,000	99,633	100,367
Total expenditures	200,000	200,000	99,633	100,367
Excess of revenues over expenditures	$ --	$ --	$ --	$ --
FUND BALANCES, Beginning			--	
FUND BALANCES, Ending			$ --	

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, 2012

2006 Project Description	Estimated Cost		Expenditures		
Per Splost Referendum	Original	Current	*Prior Years	Current Year	Total
Roads,Streets & Sidewalks	$ 500,000	$ 500,000	$ 232,337	168,332	$ 400,669
Water & Sewer Improvement	525,000	525,000	392,467	--	392,467
Public Safety Facilities & Equipment	475,000	475,000	412,343	62,563	474,906
Sub-total	$ 1,500,000	$ 1,500,000	$ 1,037,147	$ 230,895	$ 1,268,042

2012 Project Description	Estimated Cost		Expenditures		
Per Splost Referendum	Original	Current	Prior Years	Current Year	Total
Roads,Streets & Sidewalks	$ 706,500	$ 706,500	$ --	$ --	$ --
Water & Sewer Improvement	706,500	706,500	--	--	--
Debt Payoff Water & Sewer	637,000	637,000	--	--	--
Public Safety Facilities & Equipment	3,000,000	3,000,000	--	18,146	18,146
Sub-total	$ 5,050,000	$ 5,050,000	$ --	$ 18,146	$ 18,146

Reconciling item to adjust for principal payments on debt related to 2006 Project

Principal payments on debt	--	372,929	281,077	91,852	372,929
Reconciled total	$ 6,550,000	$ 6,922,929	$ 1,318,224	$ 340,893	$ 1,659,117

* Prior years expenditures were adjusted in the current year to account for the full cost of projects associated with debt obligations in prior years.

II. REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

NICHOLS, CAULEY & ASSOCIATES, LLC
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REPLY TO:
400 Corder Road
Warner Robins, Georgia 31088
478-929-3888
FAX 478-923-7896

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, each major fund, and the aggregate remaining fund information of the City of Centerville, Georgia, as of and for the year ended June 30, 2012, which collectively comprise the City of Centerville, Georgia's basic financial statements and have issued our report thereon dated December 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of City of Centerville, Georgia, is responsible for establishing and maintaining effective 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 opinions 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 another deficiency that we consider to be a significant deficiency.

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 2012-1 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 deficiency described in the accompanying schedule of findings and responses as item 2012-2 to be a significant deficiency.

Compliance and Other Matters

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

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

December 5, 2012

CITY OF CENTERVILLE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2012

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 2012-1 through 2012-2), and we consider item 2012-1 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

2012-1 **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, 2012

2012-2 **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 45,977,174 gallons of water, or 12% of gallons sold, were unaccounted for during fiscal year 2012.

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 increased from 10% in FY2011 to 12% in FY2012 as well as the total number of gallons has increased from 37,627,276 for FY2011 to 45,977,174 for FY2012.

CITY OF CENTERVILLE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2012

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 2012-1 and 2012-2 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, 2011.

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