CITY OF CENTERVILLE, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council
City of Centerville, Georgia

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City of Centerville, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Centerville, Georgia's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis, and schedule of funding progress on pages 4 through 11 and 50 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Centerville, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of projects constructed with special purpose local option sales tax proceeds, as required by the State of Georgia, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of projects constructed with special purpose local option sales tax proceeds, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance

with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of projects constructed with special purpose local option sales tax proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013 on our consideration of the City of Centerville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Centerville, Georgia 's internal control over financial reporting and compliance.

Nichols, Cauley & Associates, LLC

Warner Robins, Georgia
October 30, 2013

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As management of the City of Centerville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Centerville for the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

Net position exceeded the City's liabilities in the amount of $17,249.1 thousand for the governmental activities and $7,418.4 thousand for the business-type activities for a total net position of $24,667.5 thousand. This is in comparison to prior year total net position of $23,830.5 thousand and reflects an increase of $837 thousand in net position.

In the Government-wide statement of activities, revenues and expenses for the governmental activities were $4,129.2 thousand and $3,844.2 thousand with a change in net position of $285 thousand. This is compared with prior year revenues and expenses of $4,916 thousand and $3,757 thousand and change in net position of $1,158.9 thousand.

In the Government-wide statement of activities, revenues and expenses for the business-type activities were $3,232.1 thousand and $2,680.2 thousand with a change in net position of $551.9 thousand. This is compared with prior year revenues and expenses of $3,271.3 thousand and $2,486.6 thousand and change in net position of $784.7 thousand.

The difference in the current year increase in net position of $837 thousand in comparison with the prior year increase in net position of $1,943.7 thousand is from:

- Increase in expenses by $280.7 thousand
- Decrease in charges for services by $192 thousand
- Decrease in operating grants by $22.4 thousand
- Decrease in capital grants by $557.7 thousand
- Decrease in general revenues by $55 thousand

In the fund financial statements the City's governmental funds reported a combined ending fund balance of $5,411.7 thousand in comparison with prior years combined ending fund balance of $2,721.6 thousand, an increase of $2,690.1 thousand. This large increase in combined ending fund balance is from a carryover of $2,623.5 thousand in loan proceeds borrowed to construct and rehabilitate the Law enforcement Center and Municipal Court Facility.

As of June 30, 2013, general fund unassigned fund balance was $2,724.9 thousand or 74.5% of general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Centerville's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements 2) fund financial statements and 3) notes to the basic financial statements. This report also contains supplementary information, in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements are comparable to the reporting requirements of private sector businesses and provide financial information about the City as a whole.

The Statement of Net Position presents information on all the City's assets and liabilities with the difference reported as net Position. This increase or decrease in net position serves as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing the change in the City's net position in the most recent fiscal year. Revenues and expenses are recognized on the accrual basis of accounting regardless of the timing of related cash flow.

Other non-financial factors to consider when analyzing the City's financial condition are diversification of the taxpayer base and the condition of the City's infrastructure.

The City of Centerville divides the Statement of Net Position and Statement of Activities into two types of activities:

- Governmental Activities - The City's basic services are accounted for in this section, including general administration, police, fire, municipal court, public works, animal control and inspections. These activities are supported by property taxes, franchise fees, business licenses, alcohol licenses, building permits and federal and state grants.
- Business-type activities – The City provides water and sewer services and sanitation services to the residents of Centerville. Fees for these services fund and support the costs of billings, activation of new customer accounts, reading of meters, supplies and routine repairs and maintenance.

FUND FINANCIAL STATEMENTS

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, use fund accounting to ensure and demonstrate finance-related legal compliance. All the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- **Governmental Funds**: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

  Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, one may better understand the long term impact of the City's near term financing decisions.

  Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison between governmental activities and governmental funds.

  Budgetary comparison statement is included in the basic financial statements for the general fund. This statement demonstrates compliance with the City's adopted and final revised budget.

- **Proprietary funds**: The City of Centerville maintains two proprietary funds, both of which are enterprise funds. Enterprise funds report the same activity as the business type activities in the government-wide financial statements. The City accounts for the water and sewer service and sanitation service through its enterprise funds.

- **Fiduciary Funds**: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has one fiduciary fund: the Municipal court fund. The fiduciary fund financial statement can be found on page 23.

- Notes to the financial statements: Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statement can be found on page 24 through 49 of this report.

- Other Information: In addition to the basic financial statements and accompanying notes, this report presents required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on Page 50 of this report.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position.

The following is a condensed version of the City's Statement of Net Position:

Table 1
Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 5,966.6	$ 2,878.9	$ 4,709.3	$ 4,284.6	$ 10,675.9	$ 7,163.5
Capital assets	14,984.5	14,332.4	3,741.5	3,692.0	18,726.0	18,024.4
Total assets	20,951.1	17,211.3	8,450.8	7,976.6	29,401.9	25,187.9
Current and other liabilities	1,232.2	175.3	472.8	513.4	1,705.0	688.7
Noncurrent liabilities	2,469.8	71.9	559.6	596.8	3,029.4	668.7
Total liabilities	3,702.0	247.2	1,032.4	1,110.2	4,734.4	1,357.4
Net position:						
Net Investment in capital assets	11,966.3	14,332.4	3,172.7	2,996.8	15,139.0	17,329.2
Restricted	2,686.7	84.5	--	0.5	2,686.7	85.0
Unrestricted	2,596.1	2,547.2	4,245.7	3,869.1	6,841.8	6,416.3
Total net position	$ 17,249.1	$ 16,964.1	$ 7,418.4	$ 6,866.4	$ 24,667.5	$ 23,830.5

As a whole the City of Centerville assets exceeded liabilities by $24,667.5 thousand at the close of fiscal year June 30, 2013. Of the $24,667.5 thousand in total net position, $15,139.0 thousand or 61% reflects net investment in capital assets (i.e., land, infrastructure, buildings, machinery and equipment) $2,686.7 thousand or 11% is restricted net position and $6,841.8 thousand or 28% is unrestricted net position.

The following is a condensed version of the City's Statement of Activities:

Table 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	$ 446.6	$ 494.1	$ 3,013.7	$ 3,158.2	$ 3,460.3	$ 3,652.3
Restricted operating grants	29	40.6	2.1	--	32	40.6
Restricted capital grants	546.5	1,104.2	--	--	546.5	1,104.2
General revenues:						
Property taxes	2,370.1	2,293.1	--	--	2,370.1	2,293.1
Other taxes	838.6	851.2	--	--	838.6	851.2
Interest and investment income	--	--	1.7	4.1	1.7	4.1
Other general revenues	10.0	22.1	102.8	109.1	112.8	131.2
Total revenues	4,241.2	4,805.3	3,120.3	3,271.4	7,361.5	8,076.7
Program expenses:						
General government	786.6	737.6	--	--	786.6	737.6
Municipal court	90.3	89.4	--	--	90.3	89.4
Public safety	2,386.6	2,335.8	--	--	2,386.6	2,335.8
Public works	559.9	589.3	--	--	559.9	589.3
Debt issuance costs	19.5	--	--	--	19.5	--
Interest on long-term debt	1.4	4.9	--	--	1.4	4.9
Business activities:						
Water and sewer	--	--	2,029.8	1,836.4	2,029.8	1,836.4
Sanitation	--	--	650.4	650.3	650.4	650.3
Total expenses	3,844.3	3,757.0	2,680.2	2,486.7	6,524.5	6,243.7
Excess before contributions intergovernmental and transfers	396.9	1,048.3	440.1	784.7	837.0	1,833.0
Contributions	-	11.1	--	--	-	11.1
Intergovernmental	--	99.6	--	--	--	99.6
Transfers	(111.9)	--	111.9	--	--	--
Increase in net position	$ 285.0	$ 1,159.0	$ 552.0	$ 784.7	$ 837.0	$ 1,943.7

As a whole the City of Centerville's net position increased $837 thousand as of the close of the fiscal year June 30, 2013. Of this increase $285 thousand or 34% is attributable to the governmental activities and $552 thousand or 66% is attributable to the business-type activities.

FUND FINANCIAL ANALYSIS

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending as of the fiscal year end.

As of the end of fiscal year 2013, the City's governmental funds reported combined ending fund balance of approximately $5,411 thousand or an increase of approximately $2,690 thousand when compared with prior year.

The increase of the combined ending fund balance in the amount of $2,690 thousand is from an increase in general fund unassigned fund balance of $1.14 thousand and an increase in the capital projects restricted fund balance in the amount of $2,576 thousand. Increase in capital project restricted fund balance resulted from loan proceeds acquired under the installment sale agreement with GMA held in escrow for the construction and rehabilitation of the Project Facilities. (Note F-Notes Payable –Other Governmental Activities)

The General Fund is the chief operating fund of the City. As of June 30, 2013, the total and unassigned fund balance of the general fund was $2,724,982. Unassigned fund balance represents approximately 74.5% of total general fund expenditures.

Proprietary funds

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted combined net position of the Water and Sewer fund and the Sanitation Fund at the end of fiscal year 2013 amounted to $4,245.7 thousand, an increase of $376.6 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council revisits the budget several times during the year. The current year's budgets focus on the general fund, major funds and on availability of fund resources. Difference between the original and final amended budget in the general fund amounted to an increase in appropriations of approximately $85 thousand. However, due to decreases in other line items within each department of the general fund, actual expenditures was 96% of the final amended appropriations or $159.1 thousand less than the final budget.

CAPITAL ASSETS

The City's capital assets for its governmental and business-type activities as of June 30, 2013 total $18,726.1 thousand (net of accumulated depreciation). This investment in capital assets includes: land, public buildings and improvements, construction in progress, infrastructure, water and sewer improvements, machinery and equipment and furniture and fixtures. The City's capital assets increased $701.6 thousand.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land and improvements	$ 262.6	$ 262.6	$ 21.8	$ 21.8	$ 284.4	$ 284.4
Construction in progress	849.2	206.9	83.7	22.4	932.9	229.3
Buildings and improvements	1,777.5	1,821.2	7.9	8.4	1,785.4	1,829.6
Infrastructure	11,971.9	11,888.4	3,460.5	3,490.7	15,432.4	15,379.1
Equipment	123.3	153.3	167.7	148.7	291.0	302.0
Totals	$ 14,984.5	$ 14,332.4	$ 3,741.6	$ 3,692.0	$ 18,726.1	$ 18,024.4

Additional information of the City of Centerville's capital assets can be found in Note III-D on Page 37-39.

LONG TERM DEBT

The City's long term-debt for its governmental and business-type activities as of June 30, 2013 total $3,752.1 thousand in comparison to $820 thousand reported in the prior year.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenue bonds and notes (backed by specific tax and fee revenues)	$ --	$ --	$ --	$ 106.1	$ --	$ 106.1
Other bonds or oustanding obligations	3,147.1	89.9	605.0	624.0	3,752.1	713.9
Totals	$ 3,147.1	$ 89.9	$ 605.0	$ 730.1	$ 3,752.1	$ 820.0

Additional information of the City of Centerville's Long-Term Debt can be found in Note III-F on page 42-45.

ECONOMIC ISSUES AND NEXT YEARS BUDGET

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

CONTACT INFORMATION

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

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cityaccountant@centerville.mgacoxmail.com

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CITY OF CENTERVILLE, GEORGIA
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash	$ 5,882,874	$ 4,309,146	$ 10,192,020
Receivables:			
Taxes	3,917	--	3,917
Accounts	77,423	45,932	123,355
Intergovernmental	2,361	--	2,361
Unbilled accounts	--	250,637	250,637
Accrued interest	--	156	156
Inventory, at cost	--	92,820	92,820
Prepaid items	--	10,593	10,593
Capital assets not being depreciated:			
Land	262,575	21,827	284,402
Construction in progress	849,246	83,675	932,921
Capital assets, net of accumulated depreciation:			
Buildings and improvements	1,777,528	7,876	1,785,404
Infrastructure	11,971,932	3,460,479	15,432,411
Machinery and equipment	123,273	167,680	290,953
Total assets	$20,951,129	$ 8,450,821	$ 29,401,950

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES:			
Accounts payable	$ 475,745	$ 178,229	$ 653,974
Other liabilities	17,913	7,110	25,023
Deferred revenue	61,207	--	61,207
Customer deposits	--	242,090	242,090
Compensated absences	90,210	24,170	114,380
Notes payable - other	583,317	21,202	604,519
Capital lease payable	3,830	--	3,830
Noncurrent liabilities:			
Compensated absences	38,662	11,985	50,647
Notes payable - other	2,416,683	547,658	2,964,341
Capital lease payable	14,413	--	14,413
Total liabilities	3,701,980	1,032,444	4,734,424
NET POSITION:			
Net investment in capital assets	11,966,311	3,172,677	15,138,988
Restricted for capital projects	2,660,512	--	2,660,512
Restricted for law enforcement	26,216	--	26,216
Unrestricted	2,596,110	4,245,700	6,841,810
Total net position	17,249,149	7,418,377	24,667,526
Total liabilities and net position	$20,951,129	$ 8,450,821	$ 29,401,950

See accompanying notes to financial statements and independent auditor's report.

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Governmental activities:			
General government	$ 786,569	$ 132,479	$ --
Municpal court	90,330	--	--
Public safety	2,386,577	313,971	29,362
Public works	559,884	106	--
Debt issuance cost	19,500	--	--
Interest on long-term debt	1,358	--	--
Total governmental activities	3,844,218	446,556	29,362
Business-type activities:			
Water and sewer	2,029,828	2,156,399	2,123
Sanitation	650,385	857,258	--
Total business-type activities	2,680,213	3,013,657	2,123
Total primary government	$ 6,524,431	$ 3,460,213	$ 31,485

General revenues:
Property taxes
Intangible
Franchise
Alcoholic beverage tax
Insurance premium tax
Other taxes
Other
Unrestricted investment earnings
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

Program Revenues	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
$ --	$ (654,090)	$ --	$ (654,090)
--	(90,330)	--	(90,330)
499,665	(1,543,579)	--	(1,543,579)
46,833	(512,945)	--	(512,945)
--	(19,500)	--	(19,500)
--	(1,358)	--	(1,358)
546,498	(2,821,802)	--	(2,821,802)
--	--	128,694	128,694
--	--	206,873	206,873
--	--	335,567	335,567
$ 546,498	(2,821,802)	335,567	(2,486,235)
	2,370,117	--	2,370,117
	41,464	--	41,464
	349,452	--	349,452
	73,950	--	73,950
	356,114	--	356,114
	17,643	--	17,643
	9,999	102,788	112,787
	14	1,687	1,701
	(111,897)	111,897	--
	3,106,856	216,372	3,323,228
	285,054	551,939	836,993
	16,964,095	6,866,438	23,830,533
	$ 17,249,149	$ 7,418,377	$ 24,667,526

See accompanying notes to financial statements and independent auditor's report.

CITY OF CENTERVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 2,821,632	$ 3,035,026	$ 26,216	$ 5,882,874
Receivables, (net of write-offs):				
Taxes	3,917	--	--	3,917
Accounts	77,423	--	--	77,423
Intergovernmental	2,361	--	--	2,361
Due from other funds	--	--	61,112	61,112
Total assets	$ 2,905,333	$ 3,035,026	$ 87,328	$ 6,027,687
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	$ 101,231	$ 374,514	$ --	$ 475,745
Other liabilities	17,913	--	--	17,913
Due to other funds	61,112	--	--	61,112
Deferred revenue	95	--	61,112	61,207
Total liabilities	180,351	374,514	61,112	615,977
Fund balances:				
Restricted - Capital projects	--	2,660,512	--	2,660,512
Restricted - Law enforcement	--	--	26,216	26,216
Unassigned	2,724,982	--	--	2,724,982
Total fund balances	2,724,982	2,660,512	26,216	5,411,710
Total liabilities and fund balances	$ 2,905,333	$ 3,035,026	$ 87,328	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.				14,984,554
Certain liabilities, such as compensated absences are not due and payable in the current period and, therefore, are not reported in the funds				(128,872)
Long-term liabilities, including notes payable - other and capital leases payable, are not due and payable in the current period and, therefore, are not reported in the funds				(3,018,243)
Net position of governmental activities (page 12)				$ 17,249,149

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, 2013

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes	$ 2,370,117	$ --	$ --	$ 2,370,117
Other taxes	838,623	528,766	--	1,367,389
Licenses and permits	132,479	--	--	132,479
Intergovernmental revenues	16,957	--	16,274	33,231
Charges for services	106	--	--	106
Fines and forfeitures	313,489	--	482	313,971
Interest	14	1,458	--	1,472
Donations	12,405	--	--	12,405
Other revenues	9,999	--	--	9,999
Total revenues	3,694,189	530,224	16,756	4,241,169
Expenditures:				
Current:				
General government	688,757	--	--	688,757
Municipal court	90,330	--	--	90,330
Public safety	2,528,505	--	500	2,529,005
Public works	325,126	--	--	325,126
Capital outlay	--	786,063	17,274	803,337
Debt service:				
Principal	2,961	--	--	2,961
Interest	1,358	--	--	1,358
Debt issuance costs	19,500	--	--	19,500
Total expenditures	3,656,537	786,063	17,774	4,460,374
Excess (deficit) of revenues over expenditures	37,652	(255,839)	(1,018)	(219,205)
Other financing sources (uses):				
Transfers in	56,248	--	1,000	57,248
Transfers out	(1,000)	(168,145)	--	(169,145)
Loan proceeds	--	3,000,000	--	3,000,000
Lease proceeds	21,204	--	--	21,204
Total other financing sources (uses)	76,452	2,831,855	1,000	2,909,307
Net change in fund balance	114,104	2,576,016	(18)	2,690,102
Fund balance, beginning of year	2,610,878	84,496	26,234	2,721,608
Fund balance, end of year	$ 2,724,982	$ 2,660,512	$ 26,216	$ 5,411,710

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, 2013

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances - total governmental funds (page 15)	$ 2,690,102
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	652,137
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.	(38,942)
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.	(3,018,243)
Change in net position of governmental activities (page 13)	$ 285,054

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, 2013

	Budgeted Amounts			Variance Final Budget with Actual
	Original	Final	Actual	Over (Under)
Revenues:				
Taxes	$ 3,133,127	$ 3,133,127	$ 3,208,740	$ 75,613
Licenses and permits	140,900	140,900	132,479	(8,421)
Intergovernmental	15,000	15,000	16,957	1,957
Charges for services	60	60	106	46
Fines and forfeitures	300,000	300,000	313,489	13,489
Interest on investments	50	50	14	(36)
Donations	-	10,375	12,405	2,030
Other	1,400	1,400	9,999	8,599
Total revenues	3,590,537	3,600,912	3,694,189	93,277
Expenditures:				
Current:				
General government:				
Legislative	83,962	88,962	65,992	(22,970)
Executive	111,433	111,661	104,937	(6,724)
Financial administration	352,363	353,276	345,503	(7,773)
Law	179,143	179,884	172,325	(7,559)
Total general government	726,901	733,783	688,757	(45,026)
Municipal court	97,347	97,574	90,330	(7,244)
Public safety:				
Fire	976,102	989,959	926,825	(63,134)
Police	1,550,117	1,554,837	1,516,662	(38,175)
Animal control	75,570	85,035	85,018	(17)
Total public safety	2,601,789	2,629,831	2,528,505	(101,326)
Public works:				
Streets	223,279	248,701	246,523	(2,178)
Protective Inspection	77,519	82,007	78,603	(3,404)
Total public works	300,798	330,708	325,126	(5,582)
Debt service:				
Principal	2,658	2,961	2,961	--
Interest	1,246	1,358	1,358	--
Debt issuance costs	-	19,500	19,500	--
Total debt service	3,904	23,819	23,819	--
Total expenditures	3,730,739	3,815,715	3,656,537	(159,178)
Excess (deficit) of revenues over expenditures	(140,202)	(214,803)	37,652	252,455
Other financing sources (uses):				
Transfers in	267,724	267,724	56,248	(211,476)
Transfers out	--	--	(1,000)	(1,000)
Lease proceeds	15,855	21,204	21,204	--
Total other financing sources (uses)	283,579	288,928	76,452	(212,476)
Net change in fund balance	$ 143,377	$ 74,125	114,104	$ 39,979
Fund balance, beginning of year			2,610,878	
Fund balance, end of year			$ 2,724,982	

See accompanying notes to financial statements and independent auditor's report.

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 4,309,146	$ --	$ 4,309,146
Receivables, net of write-offs:			
Accounts	35,653	10,279	45,932
Unbilled accounts	175,952	74,685	250,637
Accrued interest	156	--	156
Inventory, at cost	92,820	--	92,820
Prepaids	10,593	--	10,593
Due from other funds	--	457,856	457,856
Total current assets	4,624,320	542,820	5,167,140
Noncurrent assets:			
Capital assets:			
Land and improvements	21,827	--	21,827
Construction in progress	83,675	--	83,675
Buildings and improvements	45,558	--	45,558
Infrastructure	6,319,792	--	6,319,792
Machinery and equipment	588,924	17,500	606,424
Accumulated depreciation	(3,318,239)	(17,500)	(3,335,739)
Capital assets, net	3,741,537	--	3,741,537
Total noncurrent assets	3,741,537	--	3,741,537
Total assets	$ 8,365,857	$ 542,820	$ 8,908,677

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable	$ 124,199	$ 54,030	$ 178,229
Other liabilities	5,441	--	5,441
Accrued interest payable	1,669	--	1,669
Due to other funds	457,856	--	457,856
Customer deposits	242,090	--	242,090
Compensated absences	24,170	--	24,170
Notes payable	21,202	--	21,202
Total current liabilities	876,627	54,030	930,657
Noncurrent liabilities:			
Compensated absences	11,985	--	11,985
Notes payable (net of current portion)	547,658	--	547,658
Total noncurrent liabilities	559,643	--	559,643
Total liabilities	1,436,270	54,030	1,490,300
Net position:			
Net investment in capital assets	3,172,677	--	3,172,677
Unrestricted	3,756,910	488,790	4,245,700
Total net position	6,929,587	488,790	7,418,377
Total liabilities and net position	$ 8,365,857	$ 542,820	$ 8,908,677

See accompanying notes to financial statements and independent auditor's report.

CITY OF CENTERVILLE, GEORGIA
RECONCILIATION OF THE STATEMENT OF NET POSITION – PROPRIETARY FUNDS TO THE STATEMENT OF NET POSITON
JUNE 30, 2013

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

Total assets for Statement of Net Position - Proprietary Funds (page 18)	$	8,908,677
Elimination of interfund receivable from Water and Sewer to Sanitation reflected as due from other funds		(457,856)
Total assets for Statement of Net Position - Business-type Activities (page 12)	$	8,450,821

Total liabilities and net position reported for business-type activities in the Statement of Net Position is different because:

Total liabilities and net position for Statement of Net Position - Proprietary Funds (page 18)	$	8,908,677
Elimination of interfund payables from Water and Sewer to Sanitation reflected as due to other funds		(457,856)
Total liabilities and net position for Statement of Net Position - Business-type Activities (page 12)	$	8,450,821

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Operating revenues:			
Charges for services	$ 2,156,399	$ 857,258	$ 3,013,657
Other	102,788	--	102,788
Total operating revenues	2,259,187	857,258	3,116,445
Operating expenses:			
Personal services	733,679	--	733,679
Contractual services	654,757	611,401	1,266,158
Supplies	252,314	3,403	255,717
Materials	108,592	--	108,592
Heat, light, and power	77,096	2,388	79,484
Bad debt expense	3,258	31,589	34,847
Depreciation	174,568	1,604	176,172
Total operating expenses	2,004,264	650,385	2,654,649
Operating income	254,923	206,873	461,796
Nonoperating revenues (expenses):			
State Grant	2,123	--	2,123
Interest revenue	1,687	--	1,687
Interest expense	(25,564)	--	(25,564)
Total nonoperating expenses, net	(21,754)	--	(21,754)
Net income before transfers	233,169	206,873	440,042
Transfers in	168,145	--	168,145
Transfers out	(56,248)	--	(56,248)
Net transfers	111,897	--	111,897
Change in net position	345,066	206,873	551,939
Net position, beginning	6,584,521	281,917	6,866,438
Net position, ending	$ 6,929,587	$ 488,790	$ 7,418,377

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, 2013

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Cash flows from operating activities:			
Cash received from customers	$ 2,180,648	$ 891,038	$ 3,071,686
Cash received from rents and reimbursements	102,788	--	102,788
Cash paid to suppliers for goods and services	(140,544)	(891,038)	(1,031,582)
Cash paid to employees for services	(486,678)	--	(486,678)
Cash paid for contractual services	(654,757)	--	(654,757)
Cash paid for employee taxes and benefits	(245,162)	--	(245,162)
Net cash provided by operating activities	756,295	--	756,295
Cash flows from noncapital financing activities-			
Grants	2,123	--	2,123
Transfers in	168,145	--	168,145
Transfers out	(56,248)	--	(56,248)
Net cash provided by noncapital financing activities	114,020	--	114,020
Cash flows from capital financing activities:			
Principal paid on revenue bonds	(106,094)	--	(106,094)
Payment of bond interest	(26,431)	--	(26,431)
Acquisition and construction of capital assets	(225,705)	--	(225,705)
Payment of notes payable	(20,292)	--	(20,292)
Net cash used by capital financing activities	(378,522)	--	(378,522)
Cash flows from investing activities -			
Interest revenue	1,809	--	1,809
Net cash provided by investing activities	1,809	--	1,809
Net increase in cash and cash equivalents	493,602	--	493,602
Cash and cash equivalents, beginning of year	3,815,544	--	3,815,544
Cash and cash equivalents, end of year	$ 4,309,146	$ --	$ 4,309,146

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, 2013

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 254,923	$ 206,873	$ 461,796
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation	174,568	1,604	176,172
Decrease (increase) in assets:			
Accounts receivable	12,329	2,655	14,984
Unbilled accounts	9,478	(464)	9,014
Inventory	19,327	--	19,327
Prepaids	25,463	--	25,463
Due from other funds	--	(211,503)	(211,503)
Increase (decrease) in liabilities:			
Accounts payable	41,165	835	42,000
Other liabilities	509	--	509
Due to other funds	211,503	--	211,503
Customer deposits	5,700	--	5,700
Compensated absences	1,330	--	1,330
Total adjustments	501,372	(206,873)	294,499
Net cash provided by operating activities	$ 756,295	$ --	$ 756,295

See accompanying notes to financial statements and independent auditor's report.

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2013

	Municipal Court Fund
ASSETS	
Cash	$ 29,927
Due from others	3,610
Total assets	$ 33,537
LIABILITIES	
Due to others	$ 33,537
Total liabilities	$ 33,537

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Position, 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 presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Program revenues include 1) Charges for services, which report fees, fines and forfeitures and other charges to users of the City's services; 2) operating grants and contributions, which finance annual operating activities; and 3) capital grants and contributions which fund construction and acquisition of capital assets. Taxes and other revenues not included in program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or funded from the general revenues of the City.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basic Financial Statements - GASB Statement No. 34

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 measurement 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, fund balance/net position, 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.

SPLOST Fund is a capital projects fund. It is used to account for the Special Purpose Local Option Sales Tax amounts collected and spent on various projects and the construction and acquisition of capital assets.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Presentation

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.

Sanitation 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.

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 Position. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Presentation

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.

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 Position

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities, and Net Position

2. ***Interfund Balances*** - 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". Due to/from other funds are eliminated in the government wide statements of activities. In the statement of net position, these amounts are eliminated in the governmental and business-type activities columns except for any net residual amounts due between governmental and business-type activities, which, if present, are reclassified and presented as internal balances.

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 18, 2012
Lien date	January 1, 2013
Due date	December 20, 2012
Collection dates	October 5, 2012 – December 20, 2012
Delinquent date	December 21, 2012

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 and 2012 SPLOST referendums attributable to the water and sewer improvements are recorded as contributions in the funds involved.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities, and Net Position

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 in the enterprise funds. The governmental funds use the purchase method of accounting for prepaid expenditures and expense the items immediately.

9. ***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

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.

10. ***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. Unused sick leave not exceeding 180 days may be carried into the next calendar year. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities, and Net Position

11. ***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 position. 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.

12. ***Net Position*** - The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted net position and unrestricted net position.

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

- **Restricted Net Position** - 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 position** - represent unrestricted liquid assets. While City management 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 position is available, the City's policy is to apply restricted net position first.

13. ***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, 2013, 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Fund Balances – Governmental Funds

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

A. 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.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Policy and Budgetary Data

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, 2013 follows:

Account Balances		
Petty cash	$	1,990
Demand deposits		10,066,535
Certificates of deposit		123,495
	$	10,192,020

Ownership of Funds		
Primary government:		
Governmental funds -		
Cash	$	5,868,084
Certificate of deposit		14,790
		5,882,874
Proprietary funds:		
Cash		4,200,441
Certificate of deposit		108,705
		4,309,146
Total reporting entity	$	10,192,020

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.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

***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, 2013, 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.

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 Other Government

The following is a summary of the amounts due from other government at June 30, 2013:

Government	Fund	Amount
Governor's Office of Highway Saftey	General Fund	$ 2,361

III. DETAILED NOTES ON ALL FUNDS

C. Leases

Operating Leases

The City leases police cars and equipment under operating leases. Total costs for such leases was $125,120 for government type activities and $3,206 for business type activities for the year ended June 30, 2013. The future minimum lease payments as of June 30, 2013 are as follows:

Year ending June 30,	Business Type Activities	Governmental Type Activities
2014	$ 1,884	$ 118,823
2015	1,884	116,866
2016	1,884	-
Total future minimum lease payments	$ 5,652	$ 235,689

Capital Lease

The City has entered into a municipal lease/purchase agreement for the purchase of an Animal Control 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 asset acquired through capital lease is as follows:

	Governmental Activities		
	Cost	Accumulated Depreciation	Net Book Value
Machinery and equipment	$ 21,204	$ 3,534	$ 17,670

III. DETAILED NOTES ON ALL FUNDS

C. Leases

The future minimum payments for the next five years of the Animal Control Truck are as follows:

Year ending June 30,	Amount
2014	$ 5,182
2015	5,182
2016	5,182
2017	5,182
2018	865
Total	21,593
Less: interest	(3,350)
Present value of future minimum lease payments	$ 18,243

III. DETAILED NOTES ON ALL FUNDS

D. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government

	Balance June 30, 2012	Increases/ Reclassifications	Decreases/ Reclassifications	Balance June 30, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 262,575	$ --	$ --	$ 262,575
Construction in progress	206,887	766,901	124,542	849,246
Total capital assets not being depreciated	469,462	766,901	124,542	1,111,821
Capital assets, being depreciated:				
Buildings and improvements	2,225,192	--	--	2,225,192
Infrastructure	12,508,521	324,652	--	12,833,173
Machinery and equipment	880,150	21,204	--	901,354
Total capital assets being depreciated	15,613,863	345,856	--	15,959,719
Less accumulated depreciation for:				
Buildings and improvements	403,993	43,671	--	447,664
Infrastructure	620,075	241,166	--	861,241
Machinery and equipment	726,840	51,241	--	778,081
Total accumulated depreciaiton	1,750,908	336,078	--	2,086,986
Total capital assets being depreciated, net	13,862,955	9,778	--	13,872,733
Governmental activities capital assets, net	$ 14,332,417	$ 776,679	$ 124,542	$ 14,984,554

III. DETAILED NOTES ON ALL FUNDS

D. Capital Assets

Primary Government

	Balance June 30, 2012	Increases/ Reclassifications	Decreases/ Reclassifications	Balance June 30, 2013
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 21,827	$ --	$ --	$ 21,827
Construction in progress	22,385	68,290	7,000	83,675
Total capital assets not being depreciated	44,212	68,290	7,000	105,502
Capital assets, being depreciated:				
Buildings and improvements	45,558	--	--	45,558
Infrastructure	6,212,937	106,855	--	6,319,792
Machinery and equipment	548,864	57,560	--	606,424
Total capital assets being depreciated	6,807,359	164,415	--	6,971,774
Less accumulated depreciation for:				
Buildings and improvements	37,182	500	--	37,682
Infrastructure	2,722,253	137,060	--	2,859,313
Machinery and equipment	400,132	38,612	--	438,744
Total accumulated depreciaiton	3,159,567	176,172	--	3,335,739
Total capital assets being depreciated, net	3,647,792	(11,757)	--	3,636,035
Business-type activities capital assets, net	$ 3,692,004	$ 56,533	$ 7,000	$ 3,741,537

III. DETAILED NOTES ON ALL FUNDS

D. Capital Assets

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

Governmental activities:	
General government	$ 46,808
Public safety	48,985
Streets	240,285
Total depreciation expense - governmental activities	$ 336,078
Business-type activities:	
Water and sewer	$ 174,568
Sanitation	1,604
Total depreciation expense - business-type activities	$ 176,172

III. DETAILED NOTES ON ALL FUNDS

E. Interfund Receivables, Payables and Transfers

A summary of individual interfund receivable and payable balances at June 30, 2013, and a summary of fund transfers for the year then ended follows:

Receivable Fund	Payable Fund	Amount
Governmental activities:		
LMIG Fund	General Fund	$ 61,112
Total governmental activities		61,112
Business-type activities:		
Sanitation	Water and Sewer	457,856
Total business-type activities		457,856
Total		$ 518,968

Interfund balances reflect:

- Deposits held in the General Fund for the Local Maintenance and Improvement Grant capital project.
- Excess sanitation revenues over expenses collected and disbursed from the Water and Sewer Fund

III. DETAILED NOTES ON ALL FUNDS

E. Interfund Receivables, Payables and Transfers

Transfers To	Transfers From	Amount
General Fund	Water and Sewer	$ 56,248
LMIG Fund	General Fund	1,000
Water and Sewer	SPLOST	168,145
Total		$ 225,393

Interfund transfers reflect:

- Water and Sewer Funds disbursed for storm water implementation fees and other operating expenditures reported in the General Fund.
- General Funds disbursed for the Local Maintenance Improvement Grant capital project.
- SPLOST Funds disbursed for sewer improvement projects capitalized in the Water and Sewer Fund.

III. DETAILED NOTES ON ALL FUNDS

F. Long-Term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended June 30, 2013:

	Beginning Balance	Additions	Payments/ Retirements	Ending Balance	Current Portion	Long-term Portion
Governmental activities:						
Compensated absences	$ 89,930	$ 126,715	$ 87,773	$ 128,872	$ 90,210	$ 38,662
Note payable - other	--	3,000,000	--	3,000,000	583,317	2,416,683
Capital lease	--	21,204	2,961	18,243	3,830	14,413
Governmental activity - long-term liabilities	$ 89,930	$ 3,147,919	$ 90,734	$ 3,147,115	$ 677,357	$ 2,469,758
Business-type activities:						
Compensated absences	$ 34,825	$ 26,071	$ 24,741	$ 36,155	$ 24,170	$ 11,985
Note payable-other	589,152	--	20,292	568,860	21,202	547,658
Revenue bonds payable	106,094	--	106,094	--	--	--
Business-type activity - long-term liabilities	$ 730,071	$ 26,071	$ 151,127	$ 605,015	$ 45,372	$ 559,643

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

III. DETAILED NOTES ON ALL FUNDS

F. Long-Term Obligations

Notes Payable – Other – Governmental Activities

On April 3, 2013 the City entered into an Installment Sale Agreement with Georgia Municipal Association (GMA) for the purpose of acquiring, constructing, renovating and equipping the Law Enforcement Center and Municipal Court Facility (Project Facilities). Under the Agreement, GMA is the seller and the City is the purchaser. GMA agreed to finance and own the Project Facilities until all installment payments have been paid by the City. GMA has assigned the agreement to Branch Banking and Trust Company (BB&T), who advanced $3,000,000 into an escrow fund to pay the cost of constructing, renovating and equipping the Project Facilities.

The obligation of the City to make payments under the Agreement shall be payable only from funds lawfully appropriated by the City for such purpose and shall not constitute a pledge of the full faith and credit of the City within meaning of any constitutional debt limitations. Furthermore, the City intends to fulfill its payment obligations under the Agreement from revenues received pursuant to the City's share of Houston County, Georgia's one percent sales and use tax ("SPLOST"); however, the SPLOST's revenues are not pledged to such payments and the City is not limited to the SPLOST revenues in fulfilling its payment obligations under the Agreement. The taxing power of the City is not and may not be pledged in any way directly or contingently to secure any moneys due under the Agreement.

The Agreement expires April 1, 2018, subject to the City's right to terminate this Agreement effective as of each December 31 during the term of the Agreement. Annual payments of $625,617 are made including interest of 1.41%. Prepayment may be made in whole on any scheduled payment date and is subject to a prepayment premium of 1% of the balance outstanding. Upon completion of the Project Facilities if there remains excess funds in the Project Fund, these excess funds will be transferred to BB&T and the City shall be deemed to have make a prepayment equal to the amount transferred. The Project Facilities are pledged to BB&T as collateral. The outstanding balance as of June 30, 2013 is as follows:

	Balance June 30, 2012	Additions	Payments	Balance June 30, 2013
BB&T	$ --	$ 3,000,000	$ --	$ 3,000,000

III. DETAILED NOTES ON ALL FUNDS

F. Long-Term Obligations

Payments over the next five years for the agreement, with the first payment being due April 1, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2014	$ 583,317	$ 42,300	$ 625,617
2015	591,542	34,075	625,617
2016	599,883	25,734	625,617
2017	608,341	17,276	625,617
2018	616,917	8,699	625,616
Total	$ 3,000,000	$ 128,084	$ 3,128,084

Notes Payable – Other – Business-Type Activities

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.

	Balance June 30, 2012	Additions	Payments	Balance June 30, 2013
GEFA	$ 589,152	$ -	$ (20,292)	$ 568,860

III. DETAILED NOTES ON ALL FUNDS

F. Long-Term Obligations

The requirements to amortize the loan payable to GEFA as of June 30, 2013, are as follows:

Year Ended June 30,	Principal	Interest	Total Payment
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	25,275	20,534	45,809
2019-2023	144,450	84,591	229,041
2024-2028	179,922	49,119	229,041
2029-2031	128,520	8,905	137,425
Total	$ 568,860	$ 255,688	$ 824,548

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%.

The Water and Sewer revenue bonds were paid in full as of June 30, 2013. There are no future payments.

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 $5,000 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 $5,000 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, 2013. Settlement claims from the risks mentioned above have not exceeded insurance coverage for the past five years.

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.

IV. OTHER INFORMATION

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, no expenditures exceeded appropriations for the year end June 30, 2013.

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 13.02% of expected payroll.

IV. OTHER INFORMATION

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 $246,034 of required pension costs in fiscal year 2013.

Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	$ 246,034	100%	$ -
2012	$ 272,123	100%	$ -
2011	$ 260,971	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, 2013, are:

Actuarial Value of Assets	$3,421,955
Total Unfunded Actuarial Liability (UAAL)	$644,207
Funded Ratio	84.2%
Annual covered payroll	$1,789,610
UAAL as % of covered payroll	36.00%
Rate of return on investment	7.75% per year
Projected salary increases	3.50% per year
Cost of living adjustment	3.50% per year
Inflation rate	3.50% per year
Membership of the plan:	
Retirees and beneficiaries receiving benefits	25
Terminated plan members entitled to, but not yet receiving benefits	17
Active plan members	57
Total	99

V. OTHER INFORMATION

C. Pension Plan

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.

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, 2013.

E. Evaluation of Subsequent Events

The City assessed events that have occurred subsequent to June 30, 2013 through October 30, 2013 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 October 30, 2013.

CITY OF CENTERVILLE, GEORGIA
REQUIRED SUPPLEMENTAY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
GEORGIA MUNICPAL EMPLOYEES BENEFIT SYSTEM
JUNE 30, 2013

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)
01/01/2011	$ 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%
01/01/2013	$ 3,421,955	$ 4,066,162	$ 644,207	84.2%	$ 1,789,610	36.0%

CITY OF CENTERVILLE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue	Capital Projects		
	Confiscated Assets	DOT Sidewalk	LMIG	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 26,216	$ --	$ --	$ 26,216
Due from other funds	--	--	61,112	61,112
Total assets	$ 26,216	$ --	$ 61,112	$ 87,328
LIABILITIES AND FUND BALANCE				
Liabilities -				
Deferred revenue	$ --	$ --	$ 61,112	$ 61,112
Total liabilities	--	--	61,112	61,112
Fund balance:				
Restricted	26,216	--	--	26,216
Total fund balances	26,216	--	--	26,216
Total liabilities and fund balances	$ 26,216	$ --	$ 61,112	$ 87,328

CITY OF CENTERVILLE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue	Capital Projects		
	Confiscated Assets	DOT Sidewalk	LMIG	Total Nonmajor Governmental Funds
Revenues:				
Confiscations	$ 482	$ --	$ --	$ 482
Intergovernmental	--	16,274	--	16,274
Total revenues	482	16,274	--	16,756
Expenditures:				
Current-				
Public safety	500	--	--	500
Capital outlay	--	16,274	1,000	17,274
Total expenditures	500	16,274	1,000	17,774
Excess (deficit) of revenues over expenditures	(18)	--	(1,000)	(1,018)
Other financing sources				
Transfer in	--	--	1,000	1,000
Net change in fund balance	(18)	--	--	(18)
Fund balance, beginning of year	26,234	--	--	26,234
Fund balance, end of year	$ 26,216	$ --	$ --	$ 26,216

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
ASSETS				
Cash	$ 16,033	$ 462,729	$ 448,835	$ 29,927
Due from others	1,597	124,780	122,767	3,610
Total assets	17,630	587,509	571,602	33,537
LIABILITIES				
Due to others	17,630	618,056	602,149	33,537
Total liabilities	$ 17,630	618,056	602,149	$ 33,537

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, 2013

	Budgeted Amounts			Variance With Final
	Original	Final	Actual	Budget
Revenues-				
Confiscations	$ --	$ --	$ 482	$ 482
Total revenues	--	--	482	482
Expenditures:				
Current:				
Material and supplies - State	6,164	6,164	--	6,164
Material and supplies - DOJ	12,836	12,836	500	12,336
Total expenditures	19,000	19,000	500	18,500
Net change in fund balance	(19,000)	(19,000)	(18)	$ 18,982
Fund balance, beginning of year	19,000	19,000	26,234	
Fund balance, end of year	$ --	$ --	$ 26,216	

CITY OF CENTERVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
DOT SIDEWALK GRANT – CAPITAL PROJECT FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Prior Years Actual	Current Year Actual	Total Actual To Date	Project Authorization
REVENUES -				
Intergovernmental:				
Grants - State - Department of Transportation	$ 99,633	$ 16,274	$ 115,907	$ 200,000
Total revenues	99,633	16,274	115,907	200,000
EXPENDITURES -				
Capital outlay:				
Infrastructure	99,633	16,274	115,907	200,000
Total expenditures	99,633	16,274	115,907	200,000
Excess of revenues over expenditures	$ --	$ --	--	$ --
Net change in fund balances			--	
FUND BALANCES, Beginning			--	
FUND BALANCES, Ending			$ --	

CITY OF CENTERVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
LMIG GRANT CAPITAL PROJECT FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Prior Years Actual	Current Year Actual	Total Actual to Date	Project Authorization
REVENUES -				
Intergovernmental:				
Grants - State - Department of Transportation	$ --	$ --	$ --	$ 79,446
Total revenues	--	--	--	79,446
EXPENDITURES -				
Capital outlay:				
Infrastructure	--	1,000	1,000	79,446
Total expenditures	--	1,000	1,000	79,446
Excess of revenues over expenditures	$ --	$ (1,000)	(1,000)	$ --
OTHER FINANCING SOURCES (USES)-				
Transfer in			1,000	
Net Change in Fund balances			--	
FUND BALANCES, Beginning			--	
FUND BALANCES, Ending			$ --	

CITY OF CENTERVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL -
SPLOST – CAPITAL PROJECTS FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Prior Years Actual	Current Year Actual	Total Actual to Date	Project Authorization
REVENUES -				
Intergovernmental:				
Special purpose local option sales tax - 2012	$ --	$ 418,403	$ 418,403	$ 5,050,000
Special purpose local option sales tax - 2006	1,358,487	110,363	1,468,850	1,500,000
Interest income - Loan proceeds	--	348	348	--
Interest income - 2012 SPLOST	--	268	268	--
Interest income - 2006 SPLOST	12,357	842	13,199	--
Total revenues	1,370,844	530,224	1,901,068	6,550,000
EXPENDITURES -				
General government - 2006 SPLOST	160	--	160	--
Capital outlay:				
Road construction/reconstruction - 2012	--	18,190	18,190	706,500
Water and sewer system improvement - 2012	--	99,855	99,855	706,500
Public safety facilities and equipment - 2012	18,146	755,504	773,650	3,000,000
Road construction/reconstruction - 2006	400,669	12,369	413,038	500,000
Water and sewer system improvement - 2006	347,011	68,290	415,301	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	372,076	--	372,076	280,224
Interest - 2006 SPLOST	44,630	--	44,630	40,267
Total expenditures	1,240,892	954,208	2,195,100	6,550,000
Excess (deficit) of revenues over expenditures	129,952	(423,984)	(294,032)	--
Other financing sources(uses):				
Loan proceeds	--	3,000,000	3,000,000	--
Transfer in(out)	(45,456)	--	(45,456)	--
Total other financing sources(uses)	(45,456)	3,000,000	2,954,544	--
Net change in fund balances	84,496	2,576,016	2,660,512	--
FUND BALANCES, Beginning		84,496		
FUND BALANCES, Ending		$ 2,660,512		

CITY OF CENTERVILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION
SALES TAX PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2013

2006 Project Description	Estimated Cost		Expenditures		
Per Splost Referendum	Original	Current	Prior Years	Current Year	Total
Roads,Streets & Sidewalks	$ 500,000	$ 500,000	$ 400,669	12,369	$ 413,038
Water & Sewer Improvement	525,000	525,000	392,467	68,290	460,757
Public Safety Facilities & Equipment	475,000	475,000	474,906	--	474,906
Sub-total	$ 1,500,000	$ 1,500,000	$ 1,268,042	$ 80,659	$ 1,348,701

2012 Project Description	Estimated Cost		Expenditures		
Per Splost Referendum	Original	Current	Prior Years	Current Year	Total
Roads,Streets & Sidewalks	$ 706,500	$ 706,500	$ --	$ 18,190	$ 18,190
Water & Sewer Improvement	706,500	706,500	--	99,855	99,855
Debt Payoff Water & Sewer	637,000	637,000	--	--	--
Public Safety Facilities & Equipment	3,000,000	3,000,000	18,146	755,504	773,650
Sub-total	$ 5,050,000	$ 5,050,000	$ 18,146	$ 873,549	$ 891,695

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II. REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

Independent Auditor's Report

To the Honorable Mayor, City Council, and Management
City of Centerville, Georgia

We have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Centerville, Georgia's basic financial statements, and have issued our report thereon dated October 30, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Centerville, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City of Centerville, Georgia's internal control.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weaknesses and a certain 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 2013-1 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 2013-2 to be a significant deficiency.

Compliance and Other Matters

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

The City of Centerville, Georgia's Response to Findings

The City of Centerville, Georgia's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Centerville, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nichols, Cauley & Associates, LLC

Warner Robins, Georgia
October 30, 2013

CITY OF CENTERVILLE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2013

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 2013-1 through 2013-2), and we consider item 2013-1 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

2013-1 **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 number of 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, 2013

2013-2 **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 47,038,822 gallons of water, or 14.8% of gallons sold, were unaccounted for during fiscal year 2013.

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 12% in FY2012 to 14.8% in FY2013 as well as the total number of gallons has increased from 45,999,174 for FY2012 to 47,038,822 for FY2013.

CITY OF CENTERVILLE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2013

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 2013-1 and 2013-2 were prior year significant deficiencies 2012-1 and 2012-2, respectively.

Prior Year Findings – The prior year audit did not disclose any audit findings for the year ended June 30, 2012.