CITY OF CENTERVILLE, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

CITY OF CENTERVILLE, GEORGIA
ANNUAL FINANCIAL REPORT

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I. FINANCIAL SECTION

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

NICHOLS, CAULEY & ASSOCIATES, LLC
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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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in 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 that 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 22, 2014 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 22, 2014

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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, 2014. Please review in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

The City's total assets exceeded it's liabilities in the amount of $18,153.3 thousand for the governmental activities and $8,031.6 thousand for the business-type activities for a total net position of $26,184.9 thousand. This is in comparison to prior year total net position of $24,667.5 thousand and reflects an increase of $1,517.4 thousand in net position.

In the Government-wide statement of activities, revenues and expenses for the governmental activities were $4,664.8 thousand and $3,760.6 thousand with a change in net position of $904.2 thousand. This is compared with prior year revenues and expenses of $4,129.3 thousand and $3,844.3 thousand.

In the Government-wide statement of activities, revenues and expenses for the business-type activities were $3,312.6 thousand and $2,699.4 thousand with a change in net position of $613.2 thousand. This is compared with prior year revenues and expenses of $3,230.2 thousand and $2,680.2 thousand.

The difference in the current year increase in net position of $1,517.4 thousand in comparison with the prior year increase in net position of $837.0 thousand is from:

- Decrease in expenses by $64.5 thousand
- Increase in charges for services by $85.1 thousand
- Decrease in operating grants by $15.8 thousand
- Increase in capital grants by $264.7 thousand
- Increase in general revenues by $281.9 thousand

In the fund financial statements the City's governmental funds reported a combined ending fund balance of $2,979.3 thousand in comparison with prior years combined ending fund balance of $5,411.7 thousand, a decrease of $2,432.4 thousand. This large decrease in combined ending fund balance reflects the use of prior year SPLOST fund balance restricted for construction and renovation of the Law Enforcement Center and Municipal Court Facility.

As of June 30, 2014, general fund unassigned fund balance was $2,694.8 thousand or 69.6% 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, uses 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 22.

- 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 23 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 3,226.3	$ 5,966.6	$ 5,126.4	$ 4,709.3	$ 8,352.7	$ 10,675.9
Capital assets	17,722.2	14,984.5	3,865.9	3,741.5	21,588.1	18,726.0
Total assets	20,948.5	20,951.1	8,992.3	8,450.8	29,940.8	29,401.9
Current and other liabilities	922.9	1,232.2	421.7	472.8	1,344.6	1,705.0
Noncurrent liabilities	1,872.3	2,469.8	539.0	559.6	2,411.3	3,029.4
Total liabilities	2,795.2	3,702.0	960.7	1,032.4	3,755.9	4,734.4
Net position:						
Net investment in capital assets	15,291.2	11,966.3	3,318.2	3,172.7	18,609.4	15,139.0
Restricted	257.7	2,686.7	--	--	257.7	2,686.7
Unrestricted	2,604.4	2,596.1	4,713.4	4,245.7	7,317.8	6,841.8
Total net position	$ 18,153.3	$ 17,249.1	$ 8,031.6	$ 7,418.4	$ 26,184.9	$ 24,667.5

As a whole the City of Centerville assets exceeded liabilities by $26,184.9 thousand at the close of fiscal year June 30, 2014. Of the $26,184.9 thousand in total net position, $18,609.4 thousand or 71.1% reflects net investment in capital assets (i.e., land, infrastructure, buildings, machinery and equipment) $257.7 thousand or 1.0% is restricted net position and $7,317.8 thousand or 27.9% 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	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	$ 506.3	$ 446.6	$ 3,039.1	$ 3,013.7	$ 3,545.4	$ 3,460.3
Restricted operating grants	15.7	29.4	--	2.1	15.7	31.5
Restricted capital grants	811.2	546.5	--	--	811.2	546.5
General revenues:						
Property taxes	2,463.7	2,370.1	--	--	2,463.7	2,370.1
Other taxes	859.0	838.6	--	--	859.0	838.6
Interest and investment income	--	--	1.6	1.7	1.6	1.7
Other general revenues	13.3	10.0	101.4	102.8	114.7	112.8
Total revenues	4,669.2	4,241.2	3,142.1	3,120.3	7,811.3	7,361.5
Program expenses:						
General government	754.8	786.6	--	--	754.8	786.6
Municipal court	116.0	90.3	--	--	116.0	90.3
Public safety	2,301.9	2,386.6	--	--	2,301.9	2,386.6
Public works	544.2	559.9	--	--	544.2	559.9
Debt issuance costs	--	19.5	--	--	--	19.5
Interest on long-term debt	43.7	1.4	--	--	43.7	1.4
Business activities:						
Water and sewer	--	--	2,044.9	2,029.8	2,044.9	2,029.8
Sanitation	--	--	654.5	650.4	654.5	650.4
Total expenses	3,760.6	3,844.3	2,699.4	2,680.2	6,460.0	6,524.5
Excess before contributions and transfers	908.6	396.9	442.7	440.1	1,351.3	837.0
Contributions	166.1	--	--	--	166.1	--
Transfers	(170.5)	(111.9)	170.5	111.9	--	--
Increase in net position	$ 904.2	$ 285.0	$ 613.2	$ 552.0	$ 1,517.4	$ 837.0

As a whole the City of Centerville's net position increased $1,517.4 thousand as of the close of the fiscal year June 30, 2014. Of this increase $904.2 thousand or 59.6% is attributable to the governmental activities and $613.2 thousand or 40.4% 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 2014, the City's governmental funds reported combined ending fund balance of approximately $2,979.3 thousand or a decrease of approximately $2,432.4 thousand when compared with prior year.

The decrease of the combined ending fund balance in the amount of $2,432.4 thousand is primarily from a decrease in the capital projects restricted fund balance in the amount of $2,419.3 thousand. This decrease in capital project restricted fund balance resulted from restricted amounts used for completion of the construction of the Law Enforcement Center and renovation of the Municipal Court Facility.

The General Fund is the chief operating fund of the City. As of June 30, 2014, the total and unassigned fund balance of the general fund was $2,694.8. Unassigned fund balance represents approximately 69.6% 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 2014 amounted to $4,713.4 thousand, an increase of $467.7 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 in expenditures between the original and final amended budget in the general fund amounted to a $583.7 thousand increase. This difference is attributable to the cost of the capital project, resurfacing of streets, in the street department. However, this project was fully funded with grant money from GDOT and SPLOST funds, hence the general fund actual expenditures were 85.3% of the final amended appropriations or $664.8 thousand less than the final budget.

CAPITAL ASSETS

The City's capital assets for its governmental and business-type activities as of June 30, 2014 total $21,588.2 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 $2,862.1 thousand.

Table 3
Capital Assets at Year-End
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land and improvements	$ 269.7	$ 262.6	$ 21.8	$ 21.8	$ 291.5	$ 284.4
Construction in progress	503.4	849.2	--	83.6	503.4	932.8
Buildings and improvements	4,696.0	1,777.5	22.0	7.9	4,718.0	1,785.4
Infrastructure	11,796.8	11,971.9	3,638.7	3,460.5	15,435.5	15,432.4
Equipment	456.3	123.3	183.4	167.7	639.7	291.0
Totals	$ 17,722.2	$ 14,984.5	$ 3,865.9	$ 3,741.5	$ 21,588.1	$ 18,726.0

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

LONG TERM OBLIGATIONS

The City's long term-obligations for its governmental and business-type activities as of June 30, 2014 total $3,134.9 thousand in comparison to $3,752.1 thousand reported in the prior year.

Table 4
Outstanding Long-Term Obligations at Year-End
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Notes and other obligations	$ 2,548.3	$ 3,147.1	$ 586.6	$ 605.0	$ 3,134.9	$ 3,752.1

Additional information of the City of Centerville's Long-Term Obligations can be found in Note III-E on page 41-44.

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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CITY OF CENTERVILLE, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash	$ 3,142,013	$ 4,756,350	$ 7,898,363
Receivables:			
Taxes	5,574	--	5,574
Accounts	78,674	47,631	126,305
Unbilled accounts	--	251,476	251,476
Accrued interest	--	156	156
Inventory, at cost	--	56,326	56,326
Prepaid items	--	14,451	14,451
Capital assets not being depreciated:			
Land	269,675	21,827	291,502
Construction in progress	503,438	--	503,438
Capital assets, net of accumulated depreciation:			
Buildings and improvements	4,696,002	21,970	4,717,972
Infrastructure	11,796,880	3,638,674	15,435,554
Machinery and equipment	456,275	183,402	639,677
Total assets	$20,948,531	$ 8,992,263	$ 29,940,794

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES:			
Accounts payable	$ 187,966	$ 118,281	$ 306,247
Retainage payable	31,874	--	31,874
Other liabilities	27,095	8,983	36,078
Customer deposits	--	246,790	246,790
Compensated absences	80,274	25,462	105,736
Notes payable - other	591,542	22,155	613,697
Capital lease payable	4,155	--	4,155
Noncurrent liabilities:			
Compensated absences	36,930	13,513	50,443
Notes payable - other	1,825,141	525,503	2,350,644
Capital lease payable	10,258	--	10,258
Total liabilities	2,795,235	960,687	3,755,922
NET POSITION:			
Net investment in capital assets	15,291,174	3,318,215	18,609,389
Restricted for capital projects	241,181	--	241,181
Restricted for law enforcement	16,557	--	16,557
Unrestricted	2,604,384	4,713,361	7,317,745
Total net position	18,153,296	8,031,576	26,184,872
Total liabilities and net position	$20,948,531	$ 8,992,263	$ 29,940,794

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

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Governmental activities:			
General government	$ 754,841	$ 140,692	$ --
Municpal court	115,952	--	--
Public safety	2,301,939	365,026	15,688
Public works	544,226	550	--
Interest on long-term debt	43,653	--	--
Total governmental activities	3,760,611	506,268	15,688
Business-type activities:			
Water and sewer	2,044,891	2,141,616	--
Sanitation	654,486	897,520	--
Total business-type activities	2,699,377	3,039,136	--
Total primary government	$ 6,459,988	$ 3,545,404	$ 15,688

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

Gain on sale of capital assets
Capital contribution
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 Position		
	Primary Government		
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
$ --	$ (614,149)	$ --	$ (614,149)
--	(115,952)	--	(115,952)
567,000	(1,354,225)	--	(1,354,225)
244,162	(299,514)	--	(299,514)
--	(43,653)	--	(43,653)
811,162	(2,427,493)	--	(2,427,493)
--	--	96,725	96,725
--	--	243,034	243,034
--	--	339,759	339,759
$ 811,162	(2,427,493)	339,759	(2,087,734)
	2,463,745	--	2,463,745
	28,290	--	28,290
	368,740	--	368,740
	70,773	--	70,773
	368,722	--	368,722
	22,461	--	22,461
	8,443	100,160	108,603
	8	1,633	1,641
	4,826	1,181	6,007
	166,098	--	166,098
	(170,466)	170,466	--
	3,331,640	273,440	3,605,080
	904,147	613,199	1,517,346
	17,249,149	7,418,377	24,667,526
	$ 18,153,296	$ 8,031,576	$ 26,184,872

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

CITY OF CENTERVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	SPLOST	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 2,852,401	$ 273,055	$ 16,557	$ 3,142,013
Receivables, (net of write-offs):				
Taxes	5,574	--	--	5,574
Accounts	78,674	--	--	78,674
Total assets	$ 2,936,649	$ 273,055	$ 16,557	$ 3,226,261
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	$ 187,966	$ --	$ --	$ 187,966
Retainage payable	--	31,874	--	31,874
Other liabilities	27,095	--	--	27,095
Total liabilities	215,061	31,874	--	246,935
Fund balances:				
Restricted - capital projects	--	241,181	--	241,181
Restricted - law enforcement	--	--	16,557	16,557
Committed - fire department	26,797	--	--	26,797
Unassigned	2,694,791	--	--	2,694,791
Total fund balances	2,721,588	241,181	16,557	2,979,326
Total liabilities and fund balances	$ 2,936,649	$ 273,055	$ 16,557	

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.	17,722,270
Certain liabilities, such as compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	(117,204)
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	(2,431,096)
Net position of governmental activities (page 12)	$ 18,153,296

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, 2014

	General Fund	SPLOST	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes	$ 2,463,745	$ --	$ --	$ 2,463,745
Other taxes	858,986	--	--	858,986
Licenses and permits	140,692	--	--	140,692
Intergovernmental revenues	13,534	678,457	122,194	814,185
Charges for services	550	--	--	550
Fines and forfeitures	365,026	--	--	365,026
Interest	8	2,513	--	2,521
Donations	10,152	--	--	10,152
Other revenues	8,443	--	--	8,443
Total revenues	3,861,136	680,970	122,194	4,664,300
Expenditures:				
Current:				
General government	746,547	--	--	746,547
Municipal court	95,211	--	--	95,211
Public safety	2,732,178	--	3,100	2,735,278
Public works	289,567	--	--	289,567
Capital outlay	--	2,302,688	130,953	2,433,641
Debt service:				
Principal	3,830	583,317	--	587,147
Interest	1,353	42,300	--	43,653
Total expenditures	3,868,686	2,928,305	134,053	6,931,044
Excess (deficit) of revenues over expenditures	(7,550)	(2,247,335)	(11,859)	(2,266,744)
Other financing sources (uses):				
Transfers in	3,447	--	2,200	5,647
Transfers out	(4,117)	(171,996)	--	(176,113)
Gain on sale of asset	4,826	-	--	4,826
Total other financing sources (uses)	4,156	(171,996)	2,200	(165,640)
Net change in fund balance	(3,394)	(2,419,331)	(9,659)	(2,432,384)
Fund balance, beginning of year	2,724,982	2,660,512	26,216	5,411,710
Fund balance, end of year	$ 2,721,588	$ 241,181	$ 16,557	$ 2,979,326

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 - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

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)	$ (2,432,384)
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.	2,737,716
In the statement of activities, certain operating expenses - compensated absences (vacations) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). During this year, accrued leave decreased.	11,668
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.	587,147
Change in net position of governmental activities (page 13)	$ 904,147

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, 2014

	Budgeted Amounts			Variance Final Budget with Actual
	Original	Final	Actual	Over (Under)
Revenues:				
Taxes	$ 3,128,483	$ 3,128,483	$ 3,322,731	$ 194,248
Licenses and permits	136,928	136,928	140,692	3,764
Intergovernmental	15,000	15,000	13,534	(1,466)
Charges for services	125	125	550	425
Fines and forfeitures	324,747	324,747	365,026	40,279
Interest on investments	10	10	8	(2)
Donations	--	8,527	10,152	1,625
Other	1,450	1,450	8,443	6,993
Total revenues	3,606,743	3,615,270	3,861,136	245,866
Expenditures:				
Current:				
General government:				
Legislative	86,404	90,097	68,175	(21,922)
Executive	111,585	119,199	114,338	(4,861)
Financial administration	372,339	392,990	384,655	(8,335)
Law	182,024	182,257	171,186	(11,071)
Elections	11,633	11,633	8,193	(3,440)
Total general government	763,985	796,176	746,547	(49,629)
Municipal court	99,115	99,348	95,211	(4,137)
Public safety:				
Fire	1,044,278	1,069,800	1,023,802	(45,998)
Police	1,595,768	1,649,254	1,644,403	(4,851)
Animal control	61,623	64,529	63,973	(556)
Total public safety	2,701,669	2,783,583	2,732,178	(51,405)
Public works:				
Streets	300,596	769,710	218,466	(551,244)
Protective Inspection	79,282	79,515	71,101	(8,414)
Total public works	379,878	849,225	289,567	(559,658)
Debt service:				
Principal	4,156	3,830	3,830	--
Interest	1,027	1,353	1,353	--
Total debt service	5,183	5,183	5,183	--
Total expenditures	3,949,830	4,533,515	3,868,686	(664,829)
Excess (deficit) of revenues over expenditures	(343,087)	(918,245)	(7,550)	910,695
Other financing sources (uses):				
Transfers in	267,724	736,605	3,447	(733,158)
Transfers out	--	(4,117)	(4,117)	--
Gain on sale of asset	--	--	4,826	4,826
Budgeted fund balance	75,363	185,757	--	--
Total other financing sources (uses)	343,087	918,245	4,156	(728,332)
Net change in fund balance	$ --	$ --	(3,394)	$ (3,394)
Fund balance, beginning of year			2,724,982	
Fund balance, end of year			$ 2,721,588	

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

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 4,756,350	$ --	$ 4,756,350
Receivables, net of write-offs:			
Accounts	36,514	11,117	47,631
Unbilled accounts	180,306	71,170	251,476
Accrued interest	156	--	156
Inventory, at cost	56,326	--	56,326
Prepaids	14,451	--	14,451
Total current assets	5,044,103	82,287	5,126,390
Noncurrent assets-			
Capital assets:			
Land and improvements	21,827	--	21,827
Buildings and improvements	60,358	--	60,358
Infrastructure	6,633,082	--	6,633,082
Machinery and equipment	588,766	17,500	606,266
Accumulated depreciation	(3,438,160)	(17,500)	(3,455,660)
Capital assets, net	3,865,873	--	3,865,873
Total noncurrent assets	3,865,873	--	3,865,873
Total assets	$ 8,909,976	$ 82,287	$ 8,992,263

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable	$ 66,552	$ 51,729	$ 118,281
Other liabilities	7,377	--	7,377
Accrued interest payable	1,606	--	1,606
Customer deposits	246,790	--	246,790
Compensated absences	25,462	--	25,462
Notes payable	22,155	--	22,155
Total current liabilities	369,942	51,729	421,671
Noncurrent liabilities:			
Compensated absences	13,513	--	13,513
Notes payable (net of current portion)	525,503	--	525,503
Total noncurrent liabilities	539,016	--	539,016
Total liabilities	908,958	51,729	960,687
Net position:			
Net investment in capital assets	3,318,215	--	3,318,215
Unrestricted	4,682,803	30,558	4,713,361
Total net position	8,001,018	30,558	8,031,576
Total liabilities and net position	$ 8,909,976	$ 82,287	$ 8,992,263

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

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Operating revenues:			
Charges for services	$ 2,141,616	$ 897,520	$ 3,039,136
Other	100,160	--	100,160
Total operating revenues	2,241,776	897,520	3,139,296
Operating expenses:			
Personal services	730,756	--	730,756
Contractual services	606,514	645,565	1,252,079
Supplies	289,471	965	290,436
Materials	106,137	--	106,137
Heat, light, and power	87,467	2,330	89,797
Bad debt expense	23,021	5,626	28,647
Depreciation	176,982	--	176,982
Total operating expenses	2,020,348	654,486	2,674,834
Operating income	221,428	243,034	464,462
Nonoperating revenues (expenses):			
Interest revenue	1,633	--	1,633
Interest expense	(24,543)	--	(24,543)
Gain on disposal of capital assets	1,181	--	1,181
Total nonoperating expenses, net	(21,729)	--	(21,729)
Net income before transfers	199,699	243,034	442,733
Transfers in	419,523	--	419,523
Transfers out	(5,647)	(243,410)	(249,057)
Net transfers	413,876	(243,410)	170,466
Change in net position	613,575	(376)	613,199
Net position, beginning as restated	7,387,443	30,934	7,418,377
Net position, ending	$ 8,001,018	$ 30,558	$ 8,031,576

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, 2014

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Cash flows from operating activities:			
Cash received from customers	$ 2,118,080	$ 905,823	$ 3,023,903
Cash received from rents and reimbursements	100,160	--	100,160
Cash paid to suppliers for goods and services	(508,086)	(662,413)	(1,170,499)
Cash paid to employees for services	(484,330)	--	(484,330)
Cash paid for contractual services	(606,514)	--	(606,514)
Cash paid for employee taxes and benefits	(241,670)	--	(241,670)
Net cash provided by operating activities	377,640	243,410	621,050
Cash flows from noncapital financing activities:			
Transfers in	419,523	--	419,523
Transfers out	(5,647)	(243,410)	(249,057)
Net cash provided(used) by noncapital financing activities	413,876	(243,410)	170,466
Cash flows from capital financing activities:			
Payment of interest	(24,606)	--	(24,606)
Acquisition and construction of capital assets	(304,538)	--	(304,538)
Payment of notes payable	(21,202)	--	(21,202)
Proceeds from sale of capital assets	4,401	--	4,401
Net cash used by capital financing activities	(345,945)	--	(345,945)
Cash flows from investing activities -			
Interest revenue	1,633	--	1,633
Net cash provided by investing activities	1,633	--	1,633
Net increase in cash and cash equivalents	447,204	--	447,204
Cash and cash equivalents, beginning of year	4,309,146	--	4,309,146
Cash and cash equivalents, end of year	$ 4,756,350	$ --	$ 4,756,350

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, 2014

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 221,428	$ 243,034	$ 464,462
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation	176,982	--	176,982
Decrease (increase) in assets:			
Accounts receivable	(861)	(838)	(1,699)
Unbilled accounts	(4,354)	3,515	(839)
Inventory	36,494	--	36,494
Prepaids	(3,858)	--	(3,858)
Increase (decrease) in liabilities:			
Accounts payable	(57,647)	(2,301)	(59,948)
Other liabilities	1,936	--	1,936
Customer deposits	4,700	--	4,700
Compensated absences	2,820	--	2,820
Total adjustments	156,212	376	156,588
Net cash provided by operating activities	$ 377,640	$ 243,410	$ 621,050

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, 2014

	Municipal Court Fund
ASSETS	
Cash	$ 35,222
Due from others	3,446
Total assets	$ 38,668
LIABILITIES	
Due to others	$ 38,668
Total liabilities	$ 38,668

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

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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. 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 using the current resources measurement focus and the 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 inflow 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 3, 2013
Lien date	January 1, 2014
Due date	December 20, 2013
Collection dates	September 18, 2013 – December 20, 2013
Delinquent date	December 21, 2013

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities, and Net Position

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 referendum attributable to the water and sewer improvements are recorded as contributions in the funds involved.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities, and Net Position

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.

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.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities, and Net Position

12. ***Net Position(continued)-***

- **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.

14. ***Deferred outflows of resources –*** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City does not currently have any items that qualify for reporting in this category.

15. Deferred inflows of resources - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not currently have any items that qualify for reporting in this category.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Fund Balances – Governmental Funds

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - All other spendable amounts.

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 Accountant reviews the requests, meets with each department head and the budget sub-committee and then creates a formal budget for the following year to be presented to the Mayor and Council. The budget hearing is publicly advertised and held in accordance with Georgia law. Thereafter, the Mayor and Council adopt a formal budget. The budgetary legal level of control is at the department level. All appropriations except Capital Projects Funds lapse at year-end. There were no material purchase orders, contracts, or other commitments that should have been encumbered.

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

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

A summary of the City's deposits and investments at June 30, 2014 follows:

Account Balances		
Petty cash	$	1,990
Demand deposits		7,772,653
Certificates of deposit		123,720
	$	7,898,363

Ownership of Funds		
Primary government:		
Governmental funds:		
Cash	$	3,127,216
Certificate of deposit		14,797
		3,142,013
Proprietary funds:		
Cash		4,647,427
Certificate of deposit		108,923
		4,756,350
Total reporting entity	$	7,898,363

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, 2014, 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. Leases

Operating Leases

The City leases police cars and equipment under operating leases. Total costs for such leases was $112,159 for government type activities and $5,346 for business type activities for the year ended June 30, 2014. The future minimum lease payments as of June 30, 2014 are as follows:

Year ending June 30,	Governmental Activities	Business Type Activities
2015	$ 117,466	$ 942
2016	10,311	1,884
Total future minimum lease payments	$ 127,777	$ 2,826

III. DETAILED NOTES ON ALL FUNDS

B. Leases

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	$ 7,775	$ 13,429

The future minimum payments for the next five years are as follows:

Year ending June 30,	Amount
2015	$ 5,182
2016	5,182
2017	5,182
2018	866
Total	16,412
Less: interest	(1,999)
Present value of future minimum lease payments	$ 14,413

III. DETAILED NOTES ON ALL FUNDS

C. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government

	Balance June 30, 2013	Increases	Decreases	Transfers/ Reclassifications	Balance June 30, 2014
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 262,575	$ 7,100	$ --	$ --	$ 269,675
Construction in progress	849,246	487,042	--	(832,850)	503,438
Total capital assets not being depreciated	1,111,821	494,142	--	(832,850)	773,113
Capital assets, being depreciated:					
Buildings and improvements	2,225,192	2,162,172	--	832,850	5,220,214
Infrastructure	12,833,173	80,488	--	--	12,913,661
Machinery and equipment	901,354	382,387	27,830	--	1,255,911
Total capital assets being depreciated	15,959,719	2,625,047	27,830	832,850	19,389,786
Less accumulated depreciation for:					
Buildings and improvements	447,664	76,548	--	--	524,212
Infrastructure	861,241	255,540	--	--	1,116,781
Machinery and equipment	778,081	49,385	27,830	--	799,636
Total accumulated depreciaiton	2,086,986	381,473	27,830	--	2,440,629
Total capital assets being depreciated, net	13,872,733	2,243,574	--	832,850	16,949,157
Governmental activities capital assets, net	$ 14,984,554	$ 2,737,716	$ -	$ --	$ 17,722,270

III. DETAILED NOTES ON ALL FUNDS

C. Capital Assets

Primary Government

	Balance June 30, 2013	Increases	Decreases	Transfers/ Reclassifications	Balance June 30, 2014
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 21,827	$ --	$ --	$ --	$ 21,827
Construction in progress	83,675	--	--	(83,675)	--
Total capital assets not being depreciated	105,502	--	--	(83,675)	21,827
Capital assets, being depreciated:					
Buildings and improvements	45,558	14,800	--	--	60,358
Infrastructure	6,319,792	241,115	11,500	83,675	6,633,082
Machinery and equipment	606,424	48,623	48,781	--	606,266
Total capital assets being depreciated	6,971,774	304,538	60,281	83,675	7,299,706
Less accumulated depreciation for:					
Buildings and improvements	37,682	706	--	--	38,388
Infrastructure	2,859,313	143,375	8,280	--	2,994,408
Machinery and equipment	438,744	32,901	48,781	--	422,864
Total accumulated depreciaiton	3,335,739	176,982	57,061	--	3,455,660
Total capital assets being depreciated, net	3,636,035	127,556	(3,220)	83,675	3,844,046
Business-type activities capital assets, net	$ 3,741,537	$ 127,556	$ (3,220)	$ --	$ 3,865,873

III. DETAILED NOTES ON ALL FUNDS

C. Capital Assets

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

Depreciation

Governmental activities:	
General government	$ 37,656
Municipal court	20,741
Public safety	68,417
Streets	254,659
Total depreciation expense - governmental activities	$ 381,473
Business-type activities -	
Water and sewer	$ 176,982
Total depreciation expense - business-type activities	$ 176,982

III. DETAILED NOTES ON ALL FUNDS

D. Interfund Transfers

The following is a summary of fund transfers for the year ended June 30, 2014:

	Transfer in:		
	General Fund	LMIG Fund	Water and Sewer Fund
Transfer out:			
Governmental Funds:			
General fund	$ --	$ --	$ 4,117
SPLOST fund	--	--	171,996
Total	$ --	$ --	$ 176,113
Proprietary Funds:			
Water and Sewer fund	$ 3,447	$ 2,200	$ --
Sanitation fund	--	--	243,410
Total	$ 3,447	$ 2,200	$ 243,410

Interfund transfers reflect:

- Reallocation of insurance expenditures disbursed from the general fund on behalf of water and sewer fund.
- SPLOST funds disbursed for water and sewer improvement projects.
- Water and Sewer funds disbursed for professional fees reported in the street department of the general fund and LMIG capital projects fund.
- Enterprise interfund receivables/payables not scheduled to be paid in future years.

III. DETAILED NOTES ON ALL FUNDS

E. Long-Term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended June 30, 2014:

	Beginning Balance	Additions	Payments/ Retirements	Ending Balance	Current Portion	Long-term Portion
Governmental activities:						
Compensated absences	$ 128,872	$ 93,555	$ 105,223	$ 117,204	$ 80,274	$ 36,930
Note payable - other	3,000,000	--	583,317	2,416,683	591,542	1,825,141
Capital lease	18,243	--	3,830	14,413	4,155	10,258
Governmental activity - long-term liabilities	$ 3,147,115	$ 93,555	$ 692,370	$ 2,548,300	$ 675,971	$ 1,872,329
Business-type activities:						
Compensated absences	$ 36,155	$ 29,271	$ 26,451	$ 38,975	$ 25,462	$ 13,513
Note payable-other	568,860	--	21,202	547,658	22,155	525,503
Business-type activity - long-term liabilities	$ 605,015	$ 29,271	$ 47,653	$ 586,633	$ 47,617	$ 539,016

Compensated absences for governmental activities are generally liquidated by the general fund. For business-type activities, compensated absences are liquidated by the proprietary fund.

DETAILED NOTES ON ALL FUNDS

E. 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.

	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014
BB&T	$ 3,000,000	$ --	$ (583,317)	$ 2,416,683

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. The Project Facilities are pledged to BB&T as collateral.

As of June 30, 2014 this project was completed.

III. DETAILED NOTES ON ALL FUNDS

E. Long-Term Obligations

The requirements to amortize the note payable to BB&T as of June 30, 2014 are as follows::

Year Ending June 30,	Principal	Interest	Total Payment
2015	$ 591,542	$ 34,075	$ 625,617
2016	599,882	25,734	625,616
2017	608,341	17,276	625,617
2018	616,918	8,699	625,617
Total	$ 2,416,683	$ 85,784	$ 2,502,467

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, 2013	Additions	Payments	Balance June 30, 2014
GEFA	$ 568,860	$ -	$ (21,202)	$ 547,658

III. DETAILED NOTES ON ALL FUNDS

E. Long-Term Obligations

The requirements to amortize the loan payable to GEFA as of June 30, 2014, are as follows:

Year Ended June 30,	Principal	Interest	Total Payment
2015	$ 22,155	$ 23,654	$ 45,809
2016	23,149	22,659	45,808
2017	24,188	21,620	45,808
2018	25,275	20,534	45,809
2019	26,409	19,399	45,808
2020-2024	150,935	78,107	229,042
2025-2029	188,000	36,206	224,206
2030-2031	87,547	4,069	91,616
Total	$ 547,658	$ 226,248	$ 773,906

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, 2014. 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.

IV. OTHER INFORMATION

A. Risk Management

The City's share is adjusted by the board of the fund according to the claims experience of each participating member in accordance with criteria set forth in the bylaws of the fund. The fund makes payments to the employees of the members for workers compensation benefits pursuant to and in accordance with the claims procedures set forth in title 34, chapter 9 of O.C.G.A. The City is jointly and severally liable for all legal obligations of the fund, including, but not limited to, any obligations of the fund to pay claims against the fund arising out of any occurrence, incident, or accident covered under title 34, chapter 9 of O.C.G.A.

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

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. Settled claims in the past three years have not exceeded coverage.

B. Contingencies and Other

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

Excess of Expenditures Over Appropriations – In the City's General Fund, no expenditures exceeded appropriations for the year end June 30, 2014.

IV. OTHER INFORMATION

B. Contingencies and Other

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 10.92% 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 $237,133 of required pension costs in fiscal year 2014.

Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	$ 237,133	100%	$ --
2013	$ 246,034	100%	$ --
2012	$ 272,123	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, 2014, are:

Actuarial Value of Assets	$3,748,812
Actuarial Accrued Liability	$4,290,597
Total Unfunded Actuarial Accrued Liability (UAAL)	$541,785
Funded Ratio	87.37%
Annual covered payroll	$1,916,870
UAAL as % of covered payroll	28.26%
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

IV. 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.

The City's Firemen are also eligible to participate in the Georgia Firefighters' Pension Fund, a voluntary pension system. The City makes no contribution to this plan. Contributions are made through monthly dues by eligible firefighters electing to participate in this plan. This plan is administered by the State and is not included in the City's financial statements.

D. Commitments

As of June 30, 2014 the City has a commitment of $26,797 for the future purchase of a ladder truck for the Centerville Fire Department.

A Transportation Enhancement agreement was awarded to the City by the Georgia Department of Transportation (DOT) in the original amount of $148,800. The City has a local match requirement of 20% of the total project cost or $37,200. Project costs to date are $14,300 for engineering fees relative to this project.

IV. OTHER INFORMATION

E. Prior Period Adjustment and Restatement

The following changes have been made to the beginning net position of the Business Type Activities as summarized and described below:

	Water and Sewer	Sanitation	Business Type Activities
Beginning balances of net position at June 30, 2013, as previously reported	$ 6,929,587	$ 488,790	$ 7,418,377
Prior period adjustment to correct interfund payables and receivables	457,856	(457,856)	--
Beginning balances of net position at June 30, 2013, as restated	$ 7,387,443	$ 30,934	$ 7,418,377

The net position of the Business Type Activities restated is unchanged in total from the prior year but has increased in the Water and Sewer Fund and decreased in the Sanitation Fund by $457,856. This change is a result of reclassifying interfund receivables/payables for amounts owed to the Sanitation Fund by the Water and Sewer Fund. In future periods due to/from amounts between the Water and Sewer Fund and the Sanitation Fund will be classified as transfers in/out since City management has no intention for the Water and Sewer Fund to repay the Sanitation Fund.

F. Evaluation of Subsequent Events

The City assessed events that have occurred subsequent to June 30, 2014 through October 22, 2014 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 22, 2014.

CITY OF CENTERVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
GEORGIA MUNICPAL EMPLOYEES BENEFIT SYSTEM
JUNE 30, 2014

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)
01/01/2012	$ 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%
01/01/2014	$ 3,748,812	$ 4,290,597	$ 541,785	87.4%	$ 1,916,870	28.3%

See accompanying independent auditor's report

CITY OF CENTERVILLE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue	Capital Project	
	Confiscated Assets	LMIG	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 16,557	$ --	$ 16,557
Total assets	$ 16,557	$ --	$ 16,557
LIABILITIES AND FUND BALANCE			
Liabilities -			
Retainage payable	$ --	$ --	$ --
Total liabilities	--	--	--
Fund balance -			
Restricted	16,557	--	16,557
Total fund balances	16,557	--	16,557
Total liabilities and fund balances	$ 16,557	$ --	$ 16,557

See accompanying independent auditor's report

CITY OF CENTERVILLE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue	Capital Project	
	Confiscated Assets	LMIG	Total Nonmajor Governmental Funds
Revenues -			
Intergovernmental	$ --	$ 122,194	$ 122,194
Total revenues	--	122,194	122,194
Expenditures:			
Current-			
Public safety	3,100	--	3,100
Capital outlay	6,559	124,394	130,953
Total expenditures	9,659	124,394	134,053
Excess (deficit) of revenues over expenditures	(9,659)	(2,200)	(11,859)
Other financing sources			
Transfer in	--	2,200	2,200
Net change in fund balance	(9,659)	--	(9,659)
Fund balance, beginning of year	26,216	--	26,216
Fund balance, end of year	$ 16,557	$ --	$ 16,557

See accompanying independent auditor's report

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash	$ 29,927	$ 532,536	$ 527,241	$ 35,222
Due from others	3,610	139,209	139,373	3,446
Total assets	$ 33,537	$ 671,745	$ 666,614	$ 38,668
LIABILITIES				
Due to others	$ 33,537	$ 667,895	$ 662,764	$ 38,668
Total liabilities	$ 33,537	$ 667,895	$ 662,764	$ 38,668

See accompanying independent auditor's report

CITY OF CENTERVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
CONFISCATED ASSETS – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance With Final
	Original	Final	Actual	Budget
Revenues-				
Confiscations	$ --	$ --	$ --	$ --
Total revenues	--	--	--	--
Expenditures:				
Current -				
Material and supplies - DOJ	--	--	3,100	(3,100)
Capital outlay-				
Machinery and equipment -DOJ	--	--	6,559	(6,559)
Total expenditures	--	--	9,659	(9,659)
Net change in fund balance	--	--	(9,659)	$ (9,659)
Fund balance, beginning of year	26,216	26,216	26,216	
Fund balance, end of year	$ 26,216	$ 26,216	$ 16,557	

See accompanying independent auditor's report

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, 2014

	Prior Years Actual	Current Year Actual	Total Actual to Date	Project Authorization
Revenues -				
Intergovernmental -				
Grants - State - Department of Transportation	$ --	$ 122,194	$ 122,194	$ 122,194
Total revenues	--	122,194	122,194	122,194
Expenditures -				
Capital outlay -				
Infrastructure	1,000	124,394	125,394	170,628
Total expenditures	1,000	124,394	125,394	170,628
Excess of revenues over expenditures	(1,000)	(2,200)	(3,200)	(48,434)
Other financing sources (uses)-				
Transfer in	1,000	2,200	3,200	48,434
Net change in fund balances	$ --	--	$ --	$ --
Fund balances, beginning of year		--		
Fund balances, ending of year		$ --		

See accompanying independent auditor's report

CITY OF CENTERVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - SPLOST – CAPITAL PROJECTS FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Prior Years Actual	Current Year Actual	Total Actual to Date	Project Authorization
Revenues -				
Intergovernmental:				
Special purpose local option sales tax - 2012	$ 418,403	$ 678,457	$ 1,096,860	$ 5,050,000
Special purpose local option sales tax - 2006	1,468,850	--	1,468,850	1,500,000
Interest income - loan proceeds	348	370	718	--
Interest income - 2012 SPLOST	268	1,899	2,167	--
Interest income - 2006 SPLOST	13,199	244	13,443	--
Total revenues	1,901,068	680,970	2,582,038	6,550,000
Expenditures:				
General government - 2006 SPLOST	160	--	160	--
Capital outlay:				
Road construction/reconstruction - 2012	18,190	251,090	269,280	706,500
Water and sewer system improvement - 2012	99,855	63,707	163,562	706,500
Public safety facilities and equipment - 2012	773,650	2,026,650	2,800,300	3,000,000
Road construction/reconstruction - 2006	413,038	24,948	437,986	500,000
Water and sewer system improvement - 2006	415,301	108,289	523,590	525,000
Public safety facilities and equipment - 2006	58,200	--	58,200	154,509
Debt service:	.			
Principal - 2012 SPLOST	--	583,317	583,317	589,151
Interest - 2012 SPLOST	--	42,300	42,300	47,849
Principal - 2006 SPLOST	372,076	--	372,076	280,224
Interest - 2006 SPLOST	44,630	--	44,630	40,267
Total expenditures	2,195,100	3,100,301	5,295,401	6,550,000
Excess (deficit) of revenues over expenditures	(294,032)	(2,419,331)	(2,713,363)	--
Other financing sources(uses):				
Loan proceeds	3,000,000	--	3,000,000	--
Transfer in(out)	(45,456)	--	(45,456)	--
Total other financing sources(uses)	2,954,544	--	2,954,544	--
Net change in fund balances	$ 2,660,512	(2,419,331)	$ 241,181	$ --
Fund balance, beginning of year		2,660,512		
Fund balance, ending of year		$ 241,181		

See accompanying independent auditor's report

CITY OF CENTERVILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION
SALES TAX PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2014

2006 Project Description	Estimated Cost		Expenditures		
Per Splost Referendum	Original	Current	Prior Years	Current Year	Total
Roads,streets & sidewalks	$ 500,000	$ 500,000	$ 413,038	$ 24,948	$ 437,986
Water & sewer improvement	525,000	525,000	460,757	108,289	569,046
Public safety facilities & equipment	475,000	475,000	474,906	--	474,906
Sub-total	1,500,000	1,500,000	1,348,701	133,237	1,481,938

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	251,090	269,280
Water & sewer improvement	706,500	706,500	99,855	63,707	163,562
Debt payoff water & sewer	637,000	637,000	--	--	--
Public safety facilities & equipment	3,000,000	3,000,000	773,650	2,026,650	2,800,300
Sub-total	5,050,000	5,050,000	891,695	2,341,447	3,233,142

Reconciling item to adjust for principal payments on debt related to 2012 Project

Principal payments on debt	--	3,000,000	--	625,617	625,617
Reconciled total	$ 6,550,000	$ 9,550,000	$ 2,240,396	$3,100,301	$ 5,340,697

See accompanying independent auditor's report

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II. REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

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

We have audited, 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, 2014, 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 22, 2014.

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 weakness and 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 described in the accompanying schedule of findings and responses as item 2014-1 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 2014-2 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 22, 2014

CITY OF CENTERVILLE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unmodified 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 2014-1 through 2014-2), and we consider item 2014-1 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

2014-1 **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, 2014

2014-2 **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 52,198,136 gallons of water, or 17% of gallons sold, were unaccounted for during fiscal year 2014.

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 14.8% in FY2013 to 17% in FY2014 as well as the total number of gallons has increased from 47,038,822 for FY2013 to 52,198,136 for FY2014.

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 2014-1 and 2014-2 were prior year significant deficiencies 2013-1 and 2013-2, respectively.

Prior Year Findings – The prior year audit did not disclose any audit findings for the year ended June 30, 2013.