CITY OF CENTERVILLE, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CITY OF CENTERVILLE, GEORGIA
ANNUAL FINANCIAL REPORT

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I. FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council
City of Centerville, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Centerville, Georgia, as of and for the year ended June 30, 2015, 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, 2015, 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 the schedule of changes in net pension liability and the schedule of contributions on pages 4 through 11 and 54 and 55 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 November 12, 2015 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
November 12, 2015

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, 2015. 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 $19,583.0 thousand for the governmental activities and $8,086.4 thousand for the business-type activities for a total net position of $27,669.4 thousand. This is in comparison to prior year total net position of $26,184.9 thousand and reflects an increase of $1,484.5 thousand in net position before a restatement related to pensions.

In the Government-wide statement of activities, revenues and transfers for the governmental activities were $5,799.0 thousand and expenses were $3,859.9 thousand with a change in net position of $1,939.1 thousand. This is compared with prior year revenues, contributions and transfers of $4,664.8 thousand and expenses of $3,760.6 thousand.

In the Government-wide statement of activities, revenues and expenses for the business-type activities were $2,928.3 thousand and $2,674.1 thousand with a change in net position of $254.2 thousand. This is compared with prior year revenues and transfers of $3,312.6 thousand and expenses of $2,699.4 thousand.

The difference in the current year increase in net position of $2,193.3 thousand in comparison with the prior year increase in net position of $1,517.4 thousand is from:

- Increase in charges for services by $45.3 thousand
- Increase in capital grants by $868.4 thousand
- Increase in total expenses by $74.0 thousand
- Decrease in total general revenues by $163.8 thousand

In the fund financial statements the City's governmental funds reported a combined ending fund balance of $3,343.6 thousand in comparison with prior years combined ending fund balance of $2,979.3 thousand, an increase of $364.3 thousand.

As of June 30, 2015, general fund unassigned fund balance was $2,997.7 thousand or 77.3% 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.

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 53 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 54 and 55 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	$ 3,500.9	$ 3,226.3	$ 4,997.2	$ 5,126.4	$ 8,498.1	$ 8,352.7
Capital assets	18,501.3	17,722.2	4,226.0	3,865.9	22,727.3	21,588.1
Deferred outflows of resources	236.0	--	31.7	--	267.7	--
Total assets	22,238.2	20,948.5	9,254.9	8,992.3	31,493.1	29,940.8
Current and other liabilities	857.0	922.9	494.6	421.7	1,351.6	1,344.6
Noncurrent liabilities	1,280.4	1,872.3	519.2	539.0	1,799.6	2,411.3
Net pension liability	65.7	--	19.6	--	85.3	--
Deferred inflows of resources	452.1	--	135.1	--	587.2	--
Total liabilities	2,655.2	2,795.2	1,168.5	960.7	3,823.7	3,755.9
Net position:						
Net investment in capital assets	16,639.1	15,291.2	3,700.4	3,318.2	20,339.5	18,609.4
Restricted	327.1	257.7	--	--	327.1	257.7
Unrestricted	2,616.8	2,604.4	4,386.0	4,713.4	7,002.8	7,317.8
Total net position	$ 19,583.0	$ 18,153.3	$ 8,086.4	$ 8,031.6	$ 27,669.4	$ 26,184.9

As a whole the City of Centerville assets exceeded liabilities by $27,669.4 thousand at the close of fiscal year June 30, 2015. Of the $27,669.4 thousand in total net position, $20,339.5 thousand or 73.5% reflects net investment in capital assets (i.e., land, infrastructure, buildings, machinery and equipment) $327.1 thousand or 1.2% is restricted net position and $7,002.8 thousand or 25.3% 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	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	$ 560.3	$ 506.3	$ 3,030.4	$ 3,039.1	$ 3,590.7	$ 3,545.4
Restricted operating grants	15.8	15.7	--	--	15.8	15.7
Restricted capital grants	1,679.6	811.2	--	--	1,679.6	811.2
General revenues:						
Property taxes	2,458.5	2,463.7	--	--	2,458.5	2,463.7
Other taxes	886.5	859.0	--	--	886.5	859.0
Interest and investment income	--	--	1.6	1.6	1.6	1.6
Other general revenues	5.8	13.3	88.8	101.4	94.6	114.7
Total revenues	5,606.5	4,669.2	3,120.8	3,142.1	8,727.3	7,811.3
Program expenses:						
General government	617.0	754.8	--	--	617.0	754.8
Municipal court	132.4	116.0	--	--	132.4	116.0
Public safety	2,533.5	2,301.9	--	--	2,533.5	2,301.9
Public works	541.4	544.2	--	--	541.4	544.2
Interest on long-term debt	35.6	43.7	--	--	35.6	43.7
Business activities:						
Water and sewer	--	--	2,022.9	2,044.9	2,022.9	2,044.9
Sanitation	--	--	651.2	654.5	651.2	654.5
Total expenses	3,859.9	3,760.6	2,674.1	2,699.4	6,534.0	6,460.0
Excess before contributions and transfers	1,746.6	908.6	446.7	442.7	2,193.3	1,351.3
Contributions	--	166.1	--	--	--	166.1
Transfers	192.5	(170.5)	(192.5)	170.5	--	--
Increase in net position	$ 1,939.1	$ 904.2	$ 254.2	$ 613.2	$ 2,193.3	$ 1,517.4

As a whole the City of Centerville's net position increased $2,193.3 thousand as of the close of the fiscal year June 30, 2015. Of this increase $1,939.1 thousand or 88.4% is attributable to the governmental activities and $254.2 thousand or 11.6% 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 2015, the City's governmental funds reported combined ending fund balance of approximately $3,343.6 thousand or an increase of approximately $364.3 thousand when compared with prior year.

This increase of fund balance in the amount of $364.3 thousand is comprised of an increase of $294.9 thousand in the general fund and an increase of $63.2 and $6.2 thousand in the SPLOST and non-major governmental funds.

The General Fund is the chief operating fund of the City. As of June 30, 2015, the total and unassigned fund balance of the general fund was $2,977.7. Unassigned fund balance represents approximately 77.3% 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 2015 amounted to $4,386.0 thousand, a decrease of $327.4 thousand. Combined net investment in capital assets in the Water and Sewer Fund and the Sanitation Fund amounted to $3,700.4 thousand, an increase of $382.2 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. Differences in expenditures between the original budget and the final amended budget in the general fund amounted to a $68.1 thousand increase. General fund actual expenditures were 92.4% of the final amended appropriations or $318.2 less than the final budget.

CAPITAL ASSETS

The City's capital assets for its governmental and business-type activities as of June 30, 2015 total $22,727.3 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 $1,139.2 thousand.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land and improvements	$ 349.4	$ 269.7	$ 323.3	$ 21.8	$ 672.7	$ 291.5
Construction in progress	1,164.8	503.4	--	--	1,164.8	503.4
Buildings and improvements	4,589.7	4,696.0	21.0	22.0	4,610.7	4,718.0
Infrastructure	11,872.0	11,796.8	3,631.8	3,638.7	15,503.8	15,435.5
Equipment	525.4	456.3	249.9	183.4	775.3	639.7
Totals	$ 18,501.3	$ 17,722.2	$ 4,226.0	$ 3,865.9	$ 22,727.3	$ 21,588.1

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

DEBT MANAGEMENT

The City's long-term obligations for its governmental and business-type activities as of June 30, 2015 total $2,633.4 thousand in comparison to $4,001.7 thousand in the prior year. This change reflects the decline of $1,368.3 thousand in long-term obligations. Beginning long-term obligations, as restated, include the pension liability of $866,832 as reported under GASB 68, *Accounting and Financial Reporting for Pensions.*

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Notes and other obligations	$ 2,045.7	$ 3,215.7	$ 587.7	$ 786.0	$ 2,633.4	$ 4,001.7

Refer to Note III-E beginning on page 41 of this report for additional information on the City's long-term obligations.

ECONOMIC ISSUES/UPCOMING YEARLY BUDGETS

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

CONTACT INFORMATION

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

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CITY OF CENTERVILLE, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS:			
Cash	$ 3,415,864	$ 4,610,755	$ 8,026,619
Receivables:			
Taxes	5,512	--	5,512
Accounts	79,581	45,473	125,054
Unbilled accounts	--	274,776	274,776
Accrued interest	--	159	159
Inventory, at cost	--	54,821	54,821
Prepaid items	--	11,223	11,223
Capital assets not being depreciated:			
Land	349,370	323,351	672,721
Construction in progress	1,164,848	--	1,164,848
Capital assets, net of accumulated depreciation:			
Buildings and improvements	4,589,662	20,977	4,610,639
Infrastructure	11,871,954	3,631,772	15,503,726
Machinery and equipment	525,453	249,856	775,309
Deferred outflows of resources-			
Deferred outflows related to pensions	235,992	31,744	267,736
Total assets and deferred outflows	$ 22,238,236	$ 9,254,907	$ 31,493,143

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES AND DEFERRED INFLOWS:			
Accounts payable	$ 70,850	$ 181,180	$ 252,030
Other liabilities	24,743	10,985	35,728
Customer deposits	--	253,510	253,510
Unearned revenue	61,773	--	61,773
Compensated absences	83,925	25,794	109,719
Notes payable - other	611,558	23,149	634,707
Capital lease payable	4,155	--	4,155
Noncurrent liabilities:			
Compensated absences	33,846	16,832	50,678
Notes payable - other	1,240,403	502,353	1,742,756
Net pension liability	65,746	19,639	85,385
Capital lease payable	6,103	--	6,103
Deferred inflows of resources-			
Deferred inflows related to pensions	452,111	135,045	587,156
Total liabilities and deferred inflows	2,655,213	1,168,487	3,823,700
NET POSITION:			
Net investment in capital assets	16,639,068	3,700,454	20,339,522
Restricted for capital projects	304,387	--	304,387
Restricted for law enforcement	22,706	--	22,706
Unrestricted	2,616,862	4,385,966	7,002,828
Total net position	19,583,023	8,086,420	27,669,443
Total liabilities, deferred inflows, and net position	$ 22,238,236	$ 9,254,907	$ 31,493,143

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

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Governmental activities:			
General government	$ 616,966	$ 131,548	$ --
Municpal court	132,425	--	--
Public safety	2,533,457	427,869	15,748
Public works	541,444	862	--
Interest on long-term debt	35,613	--	--
Total governmental activities	3,859,905	560,279	15,748
Business-type activities:			
Water and sewer	2,022,923	2,145,840	--
Sanitation	651,174	884,622	--
Total business-type activities	2,674,097	3,030,462	--
Total primary government	$ 6,534,002	$ 3,590,741	$ 15,748

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

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

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
$ --	$ (485,418)	$ --	$ (485,418)
--	(132,425)	--	(132,425)
697,905	(1,391,935)	--	(1,391,935)
981,693	441,111	--	441,111
--	(35,613)	--	(35,613)
1,679,598	(1,604,280)	--	(1,604,280)
--	--	122,917	122,917
--	--	233,448	233,448
--	--	356,365	356,365
$ 1,679,598	(1,604,280)	356,365	(1,247,915)
	2,458,414	--	2,458,414
	30,313	--	30,313
	367,363	--	367,363
	77,947	--	77,947
	385,526	--	385,526
	25,374	--	25,374
	5,707	86,296	92,003
	10	1,617	1,627
	162	2,500	2,662
	192,563	(192,563)	--
	3,543,379	(102,150)	3,441,229
	1,939,099	254,215	2,193,314
	17,643,924	7,832,205	25,476,129
	$ 19,583,023	$ 8,086,420	$ 27,669,443

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

CITY OF CENTERVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	SPLOST	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 3,088,771	$ 304,387	$ 22,706	$ 3,415,864
Receivables, (net of write-offs):				
Taxes	5,512	--	--	5,512
Accounts	79,581	--	--	79,581
Interfund	--	--	61,773	61,773
Total assets	$ 3,173,864	$ 304,387	$ 84,479	$ 3,562,730
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	$ 70,850	$ --	$ --	$ 70,850
Other liabilities	24,743	--	--	24,743
Interfund payable	61,773	--	--	61,773
Unearned revenue	--	--	61,773	61,773
Total liabilities	157,366	--	61,773	219,139
Fund balances:				
Restricted - capital projects	--	304,387	--	304,387
Restricted - law enforcement	--	--	22,706	22,706
Committed - fire department	38,797	--	--	38,797
Unassigned	2,977,701	--	--	2,977,701
Total fund balances	3,016,498	304,387	22,706	3,343,591
Total liabilities and fund balances	$ 3,173,864	$ 304,387	$ 84,479	

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.	18,501,287
Certain liabilities, such as compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	(117,771)
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	(1,862,219)
Items related to pensions, including pension liability, and deferred inflows and outflows, are not due and payable in the current period and, therefore, are not reported in the funds	(281,865)
Net position of governmental activities (page 12)	$ 19,583,023

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, 2015

	General Fund	SPLOST	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes	$ 2,458,414	$ --	$ --	$ 2,458,414
Other taxes	886,523	--	--	886,523
Licenses and permits	131,548	--	--	131,548
Intergovernmental revenues	1,228	710,149	--	711,377
Charges for services	862	--	--	862
Fines and forfeitures	412,869	--	15,000	427,869
Interest	8	1,766	--	1,774
Donations	8,625	--	--	8,625
Other revenues	18,812	--	--	18,812
Total revenues	3,918,889	711,915	15,000	4,645,804
Expenditures:				
Current:				
General government	711,043	--	--	711,043
Municipal court	108,722	--	--	108,722
Public safety	2,711,486	--	8,851	2,720,337
Public works	306,579	--	--	306,579
Capital outlay	--	23,092	--	23,092
Debt service:				
Principal	12,956	591,542	--	604,498
Interest	1,538	34,075	--	35,613
Total expenditures	3,852,324	648,709	8,851	4,509,884
Excess of revenues over expenditures	66,565	63,206	6,149	135,920
Other financing sources (uses):				
Transfers in	193,000	--	--	193,000
Transfers out	(437)	--	--	(437)
Gain on sale of asset	162	--	--	162
Loan proceeds	35,620	--	--	35,620
Total other financing sources (uses)	228,345	--	--	228,345
Net change in fund balance	294,910	63,206	6,149	364,265
Fund balance, beginning of year	2,721,588	241,181	16,557	2,979,326
Fund balance, end of year	$ 3,016,498	$ 304,387	$ 22,706	$ 3,343,591

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, 2015

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)	$ 364,265
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(181,456)
Contribution of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	960,473
In the statement of activities, certain operating expenses - compensated absences (vacations) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). During this year, accrued leave increased.	(567)
In the statement of activities, pension expense represents the change in net pension liability from the beginning of the year to the end of the year. In the governmental funds, however, pension expense is measured by the amount of financial resources used (amount actually paid). This is the amount by which pension contributions paid in the current period exceeded the change in net pension liability.	227,507
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.	568,877
Change in net position of governmental activities (page 13)	$ 1,939,099

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, 2015

	Budgeted Amounts			Variance Final Budget with Actual
	Original	Final	Actual	Over (Under)
Revenues:				
Taxes	$ 3,232,645	$ 3,232,645	$ 3,344,937	$ 112,292
Licenses and permits	132,236	132,236	131,548	(688)
Intergovernmental	2,415	2,415	1,228	(1,187)
Charges for services	119	119	862	743
Fines and forfeitures	336,890	336,890	412,869	75,979
Interest on investments	10	10	8	(2)
Donations	--	8,625	8,625	--
Other	2,650	15,755	18,812	3,057
Total revenues	3,706,965	3,728,695	3,918,889	190,194
Expenditures:				
Current:				
General government:				
Legislative	80,522	82,022	71,535	(10,487)
Executive	--	2,640	2,640	--
Financial administration	464,235	480,993	459,564	(21,429)
Law	177,644	179,377	177,304	(2,073)
Total general government	722,401	745,032	711,043	(33,989)
Municipal court	115,491	115,724	108,722	(7,002)
Public safety:				
Fire	1,157,084	1,182,077	1,085,704	(96,373)
Police	1,625,752	1,631,464	1,568,711	(62,753)
Animal control	63,306	63,539	57,071	(6,468)
Total public safety	2,846,142	2,877,080	2,711,486	(165,594)
Public works:				
Streets	266,160	281,393	231,655	(49,738)
Protective inspection	80,957	81,190	74,924	(6,266)
Total public works	347,117	362,583	306,579	(56,004)
Economic development	55,658	55,658	--	(55,658)
Debt service:				
Principal	11,452	12,956	12,956	--
Interest	4,219	1,539	1,538	(1)
Total debt service	15,671	14,495	14,494	(1)
Total expenditures	4,102,480	4,170,572	3,852,324	(318,248)
Excess (deficit) of revenues over expenditures	(395,515)	(441,877)	66,565	508,442
Other financing sources (uses):				
Transfers in	333,684	333,684	193,000	(140,684)
Transfers out	--	--	(437)	(437)
Gain on sale of asset	--	--	162	162
Loan proceeds	36,000	36,000	35,620	(380)
Appriopriated fund balance	25,831	72,193	--	(72,193)
Total other financing sources (uses)	395,515	441,877	228,345	(213,532)
Net change in fund balance	$ --	$ --	294,910	$ 294,910
Fund balance, beginning of year			2,721,588	
Fund balance, end of year			$ 3,016,498	

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

CITY OF CENTERVILLE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
ASSETS AND DEFERRED OUTFLOWS			
Current assets:			
Cash and cash equivalents	$ 4,610,755	$ --	$ 4,610,755
Receivables, net of write-offs:			
Accounts	33,752	11,721	45,473
Unbilled accounts	194,784	79,992	274,776
Accrued interest	159	--	159
Inventory, at cost	54,821	--	54,821
Prepaids	11,223	--	11,223
Total current assets	4,905,494	91,713	4,997,207
Noncurrent assets:			
Capital assets:			
Land and improvements	323,351	--	323,351
Buildings and improvements	60,358	--	60,358
Infrastructure	6,773,131	--	6,773,131
Machinery and equipment	673,626	17,500	691,126
Accumulated depreciation	(3,604,510)	(17,500)	(3,622,010)
Capital assets, net	4,225,956	--	4,225,956
Total noncurrent assets	4,225,956	--	4,225,956
Deferred outflows of resources-			
Deferred outflows related to pensions	31,744	--	31,744
Total assets and deferred outflows	$ 9,163,194	$ 91,713	$ 9,254,907

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
LIABILITIES AND DEFERRED INFLOWS			
Current liabilities:			
Accounts payable	$ 121,577	$ 59,603	$ 181,180
Other liabilities	9,572	--	9,572
Accrued interest payable	1,413	--	1,413
Customer deposits	253,510	--	253,510
Compensated absences	25,794	--	25,794
Notes payable	23,149	--	23,149
Total current liabilities	435,015	59,603	494,618
Noncurrent liabilities:			
Compensated absences	16,832	--	16,832
Notes payable (net of current portion)	502,353	--	502,353
Net pension liability	19,639	--	19,639
Total noncurrent liabilities	538,824	--	538,824
Deferred inflows of resources-			
Deferred inflows related to pensions	135,045	--	135,045
Total liabilities and deferred inflows	1,108,884	59,603	1,168,487
NET POSITION			
Net investment in capital assets	3,700,454	--	3,700,454
Unrestricted	4,353,856	32,110	4,385,966
Total net position	8,054,310	32,110	8,086,420
Total liabilities, deferred inflows, and net position	$ 9,163,194	$ 91,713	$ 9,254,907

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, 2015

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Operating revenues:			
Charges for services	$ 2,145,840	$ 884,622	$ 3,030,462
Other	86,296	--	86,296
Total operating revenues	2,232,136	884,622	3,116,758
Operating expenses:			
Personal services	715,144	--	715,144
Contractual services	658,049	641,539	1,299,588
Supplies	210,755	134	210,889
Materials	126,618	--	126,618
Heat, light, and power	81,883	2,448	84,331
Bad debt expense	23,289	7,053	30,342
Depreciation	183,725	--	183,725
Total operating expenses	1,999,463	651,174	2,650,637
Operating income	232,673	233,448	466,121
Nonoperating revenues (expenses):			
Interest revenue	1,617	--	1,617
Interest expense	(23,460)	--	(23,460)
Gain on disposal of capital assets	2,500	--	2,500
Total nonoperating expenses, net	(19,343)	--	(19,343)
Net income before transfers	213,330	233,448	446,778
Transfers in	39,333	--	39,333
Transfers out	--	(231,896)	(231,896)
Net transfers	39,333	(231,896)	(192,563)
Change in net position	252,663	1,552	254,215
Net position, beginning as restated	7,801,647	30,558	7,832,205
Net position, ending	$ 8,054,310	$ 32,110	$ 8,086,420

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, 2015

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Cash flows from operating activities:			
Cash received from customers	$ 2,117,559	$ 882,249	$ 2,999,808
Cash received from rents and reimbursements	86,296	--	86,296
Cash paid to suppliers for goods and services	(359,498)	(650,353)	(1,009,851)
Cash paid to employees for services	(514,183)	--	(514,183)
Cash paid for contractual services	(658,049)	--	(658,049)
Cash paid for employee taxes and benefits	(271,550)	--	(271,550)
Net cash provided by operating activities	400,575	231,896	632,471
Cash flows from noncapital financing activities:			
Transfers in	39,333	--	39,333
Transfers out	--	(231,896)	(231,896)
Net cash provided (used) by noncapital financing activities	39,333	(231,896)	(192,563)
Cash flows from capital financing activities:			
Payment of interest	(23,653)	--	(23,653)
Acquisition and construction of capital assets	(543,808)	--	(543,808)
Payment of notes payable	(22,156)	--	(22,156)
Proceeds from sale of capital assets	2,500	--	2,500
Net cash used by capital financing activities	(587,117)	--	(587,117)
Cash flows from investing activities -			
Interest revenue	1,614	--	1,614
Net cash provided by investing activities	1,614	--	1,614
Net decrease in cash and cash equivalents	(145,595)	--	(145,595)
Cash and cash equivalents, beginning of year	4,756,350	--	4,756,350
Cash and cash equivalents, end of year	$ 4,610,755	$ --	$ 4,610,755

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, 2015

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 232,673	$ 233,448	$ 466,121
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation	183,725	--	183,725
Pension expense	8,534	--	8,534
Decrease (increase) in assets:			
Accounts receivable	2,762	(604)	2,158
Unbilled accounts	(14,478)	(8,822)	(23,300)
Inventory	1,505	--	1,505
Prepaids	3,228	--	3,228
Deferred outflows	(31,744)	--	(31,744)
Increase (decrease) in liabilities:			
Accounts payable	55,025	7,874	62,899
Other liabilities	2,195	--	2,195
Customer deposits	6,720	--	6,720
Compensated absences	3,651	--	3,651
Net pension liability	(188,266)	--	(188,266)
Deferred inflows	135,045	--	135,045
Total adjustments	167,902	(1,552)	166,350
Net cash provided by operating activities	$ 400,575	$ 231,896	$ 632,471

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, 2015

	Municipal Court Fund
ASSETS	
Cash	$ 37,729
Due from others	4,315
Total assets	$ 42,044
LIABILITIES	
Due to others	$ 42,044
Total liabilities	$ 42,044

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Centerville, Georgia (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. 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.

A. Reporting Entity

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

B. Joint Venture

The City is a member of the Middle Georgia Regional Commission (MGRC). Membership in a Regional Commission is automatic for each municipality and county in the State. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the Regional Commissions. The Regional Commission Board membership includes the chief elected officials of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the non-public board member from a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines Regional Commissions as public agencies and instrumentalities of their members. Georgia laws also provide that the member governments are liable for any debts or obligations of a Regional Commission beyond its resources. (O.C.G.A. 50-8-39.1) Separate financial statements may be obtained from the Middle Georgia Regional Commission.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Government-wide and fund financial statements

The government-wide financial statements (Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely on user fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment earnings and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund statements. The fiduciary fund financial statements are reported on the accrual basis of accounting yet the agency fund has no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Measurement focus, basis of accounting and financial statement presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, special purpose local option sales taxes, franchise taxes, other taxes, licenses and permits, intergovernmental revenues, investment earnings and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measureable and available only when cash is received by the City.

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 project fund. It is for Special Purpose Local Option Sales Tax amounts collected and spent on various projects and the construction and acquisition of capital assets.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Measurement focus, basis of accounting and financial statement presentation

Additionally, the City reports the following fund types:

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

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

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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

E. Assets, Liabilities, and Net Position

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities, and Net Position

2. ***Interfund Balances*** - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from other funds" or "due to other funds". Due to/from other funds are eliminated in the government wide statement 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 ninety 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	Sep 16, 2014
Lien date	Jan 1, 2015
Due date	Dec 20, 2014
Collection dates	Oct 23, 2014 – Dec 20, 2014
Delinquent date	Dec 21, 2014

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 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, reflects costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and proprietary funds. Prepayments of insurance in the general fund are recorded using the purchase method and recognize the entire prepayment as an expenditure in the period the payment is made.

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	5-15 years
Trucks and tractors	3-7 years
Distribution plants	50 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. ***Pensions*** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Georgia Municipal Employees Benefit System (GMEBS) and additions to/deductions from the GMEBS fiduciary net position have been determined on the same basis as they are reported to GMEBS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. ***Long-term obligations*** - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities, and Net Position

13. ***Deferred outflows/inflows 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 outflow of resources, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has one item that qualifies for reporting as a deferred outflow this year relating to its retirement benefits. Contributions made to the pension plan after the plan year end but before the City's fiscal year end are deferred into the subsequent year. See Note IV. C for additional information on deferred outflows related to pensions.

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 an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenues) until that time. The City only has one deferred inflow made up of three components this year relating to its retirement benefits. This deferred inflow is the summation of demographic changes, investment differences, and assumption changes within the plan. See Note IV. C for additional information on deferred inflows related to pensions.

14. ***Net Positions*** - The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets (net of related debt), restricted and unrestricted.

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

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

- **Unrestricted Net Position** - represent unrestricted liquid assets. While City management may have categorized and segmented portions for various purposes, the City Council has the authority to revisit or alter these managerial decisions. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities, and Net Position

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

F. Fund Balances – Governmental Funds

As of June 30, 2015, 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Fund Balances – Governmental Funds

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.

The City's policy is to maintain a minimum unassigned fund balance in the general fund and unrestricted net position in the enterprise fund equivalent to six months operating expenditures/expenses. The City's policy also requires that enterprise funds maintain an additional $1.5 million for future water and sewer improvements.

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, 2015 follows:

Account Balances		
Petty cash	$	1,990
Demand deposits		7,900,683
Certificates of deposit		123,946
	$	8,026,619

Ownership of Funds		
Primary government:		
Governmental funds:		
Cash	$	3,401,059
Certificate of deposit		14,805
		3,415,864
Proprietary funds:		
Cash		4,501,614
Certificate of deposit		109,141
		4,610,755
Total reporting entity	$	8,026,619

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

Deposits:
State statutes require banks holding public funds to secure these funds by Federal Deposit Insurance Corporation (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, 2015, 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.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Investments:

State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers acceptances; the local government investment pool established by Georgia law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia; and additionally, certificates of deposits, NOW accounts and money market accounts of banks which have deposits insured by the FDIC; 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 $117,184 for governmental type activities and $576 for business type activities for the year ended June 30, 2015. The future minimum lease payments as of June 30, 2015 are as follows:

Year ending June 30,	Governmental Activities	Business Type Activities
2016	$ 10,028	$ 1,884
Total future minimum lease payments	$ 10,028	$ 1,884

Capital Leases

The City has entered into a lease/purchase agreement for the purchase of an animal control vehicle. 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. Current year depreciation expense is $4,241.

III. DETAILED NOTES ON ALL FUNDS

B. Leases

Capital Leases

The asset acquired through capital lease is as follows:

	Governmental Activities		
	Cost	Accumulated Depreciation	Net Book Value
Machinery and equipment	$ 21,204	$ 12,016	$ 9,188

The future minimum lease payments and the net present value of the lease payments as of June 30, 2015, were as follows:

Year ending June 30,	Amount
2016	$ 5,182
2017	5,182
2018	866
Total	11,230
Less: interest	(972)
Present value of future minimum lease payments	$ 10,258

III. DETAILED NOTES ON ALL FUNDS

C. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government

	Balance June 30, 2014	Increases	Decreases	Transfers/ Reclassifications	Balance June 30, 2015
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 269,675	$ 79,695	$ --	$ --	$ 349,370
Construction in progress	503,438	982,354	--	(320,944)	1,164,848
Total capital assets not being depreciated	773,113	1,062,049	--	(320,944)	1,514,218
Capital assets, being depreciated:					
Buildings and improvements	5,220,214	--	--	--	5,220,214
Infrastructure	12,913,661	338,564	--	--	13,252,225
Machinery and equipment	1,255,911	165,145	11,000	--	1,410,056
Total capital assets being depreciated	19,389,786	503,709	11,000	--	19,882,495
Less accumulated depreciation for:					
Buildings and improvements	524,212	106,340	--	--	630,552
Infrastructure	1,116,781	263,490	--	--	1,380,271
Machinery and equipment	799,636	95,967	11,000	--	884,603
Total accumulated depreciaiton	2,440,629	465,797	11,000	--	2,895,426
Total capital assets being depreciated, net	16,949,157	37,912	--	--	16,987,069
Governmental activities capital assets, net	$ 17,722,270	$ 1,099,961	$ --	$ (320,944)	$ 18,501,287

III. DETAILED NOTES ON ALL FUNDS

C. Capital Assets

Primary Government

	Balance June 30, 2014	Increases	Decreases	Transfers/ Reclassifications	Balance June 30, 2015
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 21,827	$ 301,524	$ --	$ --	$ 323,351
Construction in progress	-	--	--	--	--
Total capital assets not being depreciated	21,827	301,524	--	--	323,351
Capital assets, being depreciated:					
Buildings and improvements	60,358	--	--	--	60,358
Infrastructure	6,633,082	140,049	--	--	6,773,131
Machinery and equipment	606,266	102,235	17,375	--	691,126
Total capital assets being depreciated	7,299,706	242,284	17,375	--	7,524,615
Less accumulated depreciation for:					
Buildings and improvements	38,388	993	--	--	39,381
Infrastructure	2,994,408	146,951	--	--	3,141,359
Machinery and equipment	422,864	35,781	17,375	--	441,270
Total accumulated depreciation	3,455,660	183,725	17,375	--	3,622,010
Total capital assets being depreciated, net	3,844,046	58,559	--	--	3,902,605
Business-type activities capital assets, net	$ 3,865,873	$ 360,083	$ --	$ --	$ 4,225,956

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	$ 39,501
Municipal court	30,023
Public safety	133,665
Streets	262,608
Total depreciation expense - governmental activities	$ 465,797
Business-type activities -	
Water and sewer	$ 183,725
Total depreciation expense - business-type activities	$ 183,725

III. DETAILED NOTES ON ALL FUNDS

D. Interfund Transfers

The following is a summary of fund transfers for the year ended June 30, 2015:

	Transfer in:	
	General Fund	Water and Sewer Fund
Transfer out:		
Governmental Funds:		
General fund	$ --	$ 437
Total	$ --	$ 437
Proprietary Funds:		
Sanitation fund	$ 193,000	$ 38,896
Total	$ 193,000	$ 38,896

Interfund transfers reflect:

- Reallocation of expenditures disbursed from the general fund on behalf of the water and sewer fund.
- Budgeted transfers from the sanitation fund to the general fund.
- Enterprise interfund receivables/payables not scheduled to be repaid 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, 2015:

	Beginning Balance (as restated)	Additions	Payments/ Retirements	Ending Balance	Current Portion	Long-term Portion
Governmental activities:						
Compensated absences	$ 117,204	$ 93,142	$ 92,575	$ 117,771	$ 83,925	$ 33,846
Note payable - other	2,416,683	35,620	600,342	1,851,961	611,558	1,240,403
Capital lease	14,413	--	4,155	10,258	4,155	6,103
Net pension liability	667,461	370,624	972,339	65,746	--	65,746
Governmental activity - long-term liabilities	$ 3,215,761	$ 499,386	$ 1,669,411	$ 2,045,736	$ 699,638	$ 1,346,098
Business-type activities:						
Compensated absences	$ 38,975	$ 29,135	$ 25,484	$ 42,626	$ 25,794	$ 16,832
Note payable-other	547,658	--	22,156	525,502	23,149	502,353
Net pension liability	199,371	110,715	290,447	19,639	--	19,639
Business-type activity - long-term liabilities	$ 786,004	$ 139,850	$ 338,087	$ 587,767	$ 48,943	$ 538,824

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

III. 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, 2014	Additions	Payments	Balance June 30, 2015
BB&T	$ 2,416,683	$ --	$ (591,542)	$ 1,825,141

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 Branch Banking and Trust Company 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, 2015 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2016	$ 599,881	$ 25,735	$ 625,616
2017	608,342	17,275	625,617
2018	616,918	8,699	625,617
Total	$ 1,825,141	$ 51,709	$ 1,876,850

Note Payable – Other – Governmental Activities

On December 11, 2014 the City entered into an Installment Sale Agreement with Georgia Municipal Association (GMA) for the purpose of purchasing fire department equipment. Under the agreement, GMA is the seller and the City is the purchaser. GMA agreed to finance and own the equipment until all payments are made by the City. GMA has assigned the agreement to Branch Banking and Trust Company (BB&T), who advanced $35,620 to purchase the equipment.

	Balance June 30, 2014	Additions	Payments	Balance June 30, 2015
BB&T	$ --	$ 35,620	$ (8,800)	$ 26,820

The requirements to amortize this loan payable to Branch Banking and Trust Company as of June 30, 2015 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2016	$ 11,677	$ 739	$ 12,416
2017	12,065	351	12,416
2018	3,078	25	3,103
Total	$ 26,820	$ 1,115	$ 27,935

III. DETAILED NOTES ON ALL FUNDS

E. Long-Term Obligations

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, 2014	Additions	Payments	Balance June 30, 2015
GEFA	$ 547,658	$ --	$ (22,156)	$ 525,502

The requirements to amortize the loan payable to GEFA as of June 30, 2015, are as follows:

Year Ended June 30,	Principal	Interest	Total Payment
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	27,595	18,213	45,808
2021-2025	157,712	71,329	229,041
2026-2030	196,441	32,600	229,041
2031	44,733	1,073	45,806
Total	$ 525,502	$ 207,427	$ 732,929

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, 2015. Settlement claims from the risks mentioned above have not exceeded insurance coverage for the past five years.

The City is a member of the Georgia Municipal Association of Workers' Compensation Self Insurance Fund. The fund operates under the authority of O.C.G.A. 34-9-150, et seq. The City pays into the fund its share of the fund's projected obligation of workers' compensation liability, administrative expenses, and other costs incurred by the fund.

The City's share is adjusted by the board of the fund according to the claim 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 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.

IV. OTHER INFORMATION

A. Risk Management

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

B. Contingencies and Other

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

Excess of Expenditures Over Appropriations – In the City's General Fund there were no actual expenditures in excess of its budgeted appropriations during fiscal year 2015.

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.

IV. OTHER INFORMATION

C. Pension Plan

The City's defined benefit pension plan provides pensions for all permanent full-time general and public safety employees of the City. The plan is part of an agent multiple-employer defined benefit pension plan and is administered through the Georgia Municipal Employees Benefit System (GMEBS). Participation in the Plan was approved by resolution of the City Council. Employees are not required to contribute to the Plan. GMEBS issues a publicly available financial report that includes financial statements and may be obtained by contacting GMEBS-Retirement Trust 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.

The Plan provides retirement, disability, and death benefits to vested employees. Employees are vested after 5 years. Retirement benefits are calculated at 1.5 percent of the employee's final 5-year average salary times the employee's years of service. Employees that are 65 and have 5 years of service or meet the rule of 80 with no minimum age or service requirement are eligible to retire. Employees with 10 years of continuous service are eligible for early retirement at age 55. Officials are vested immediately and will receive a retirement benefit of $40 per month per year.

Benefit terms provide for annual cost of living adjustments of 3.25% to each employee's retirement allowance subsequent to the employee's retirement date.

Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	20
Active employees	54
	100

IV. OTHER INFORMATION

C. Pension Plan

Contributions – The GMEBS board of Trustees has adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the Plan. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial accrued liability over a period that ranges from 10 to 30 years based on the funding policy adopted by the GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The GMEBS board of Trustees has adopted an actuarial funding policy that requires a different funding level then the state estimated minimum annual contribution in an effort to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan. If the City contributes the recommended contribution under the GMEBS funding policy, the Plan will meet applicable state funding standards. (O.C.G.A 47-20-10)

Net Pension Liability - The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of this date.

The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.75 percent, net pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period of January 1, 2010 through June 30, 2014.

IV. OTHER INFORMATION

C. Pension Plan

The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	50%	5.95%
International equity	15%	6.45%
Fixed income	25%	1.55%
Real estate	10%	3.75%
Cash	--	--
Total	100%	

The discount rate used to measure the total pension liability was 7.75 percent.

IV. OTHER INFORMATION

C. Pension Plan

	Schedule of Changes in Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance September 30, 2013	$4,691,548	$ 3,824,716	$ 866,832
Changes for the year:			
Service cost	115,947	--	115,947
Interest	356,024	--	356,024
Differences between expected and actual experience	(10,809)	--	(10,809)
Contributions-City	--	231,397	(231,397)
Net investment income	--	437,417	(437,417)
Benefit payments	(195,381)	(195,381)	--
Administrative expense	--	(9,368)	9,368
Other	(583,163)	--	(583,163)
Net changes	(317,382)	464,065	(781,447)
Balance September 30, 2014	$4,374,166	$ 4,288,781	$ 85,385

The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
City's Net Pension Liability	$ 718,959	$ 85,385	$ (430,915)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report. The report may be obtained by writing to Georgia Municipal Employees Benefit System, 201 Pryor Street-SW, Atlanta, Georgia 30303.

IV. OTHER INFORMATION

C. Pension Plan

Pension expense and deferred outflow of resources and deferred inflows of resources related to pensions - For the year ended June 30, 2015, the City recognized pension expense of $37,106. As of June 30, 2015 the City reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ --	$ (8,648)
Contributions made subsequent to measurement date	267,736	
Changes of assumptions	--	(466,532)
Net difference between projected and actual earnings on pension plan investments	--	(111,976)
Total	$ 267,736	$ (587,156)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	$ (146,789)
2017	(146,789)
2018	(146,789)
2019	(146,789)

The required Schedule of Changes in the City's Net Pension Liability and Related Ratios and the Schedule of City Contributions immediately follow the notes to the financial statements.

IV. OTHER INFORMATION

C. Pension Plan

The City's policemen are also covered by the State of Georgia Peace Officers' Annuity and Benefit Fund. 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 Peace Officers' Annuity and Benefit Fund of Georgia located at 1210 Greenbelt Parkway in Griffin, Georgia where separate financial statements may be obtained.

The City's Firemen are 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 Georgia Firefighters' Pension Fund located at 2171 Eastview Parkway NE in Conyers, Georgia where separate financial statements may be obtained.

D. Commitments

As of June 30, 2015 the City has a commitment of $38,797 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 total project cost is estimated at $186,000. The City has a local match requirement of 20% of the total project cost or $37,200. Project costs to date are $22,000 for engineering fees relative to this project.

A 2015 Local Maintenance Improvement Grant (LMIG) was awarded to the City by the Georgia Department of Transportation in the amount of $61,773. The City has a local match requirement of 30% of the award amount or $18,532. As of June 30, 2015 project costs are zero.

IV. OTHER INFORMATION

E. Prior Period Adjustment and Restatement

During 2015, the City implemented Government Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions*. With the implementation of GASB No. 68, the City determined the prior net pension liability and related deferred inflows and outflows of resources should be recorded in accordance with the statement. The restatement resulted in changes to beginning net position in the Governmental Activities and Business-Type Activities in the government-wide financial statements and changes to the beginning net position in the Business-Type Activities in the fund financial statements.

	Governmental Activities	Business-Type Activities	Total
Beginning net position as previously reported at June 30, 2014	$ 18,153,296	$ 8,031,576	$ 26,184,872
Prior period adjustment			
Net pension liability	(667,461)	(199,371)	(866,832)
Deferred outflows - City's contributions 10/01/2013 to 6/30/2014	158,089	--	158,089
Total prior period adjustment	(509,372)	(199,371)	(708,743)
Beginning balances of net position at June 30, 2014, as restated	$ 17,643,924	$ 7,832,205	$ 25,476,129

F. Evaluation of Subsequent Events

The City assessed events that have occurred subsequent to June 30, 2015 through the date of issuance 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 November 12, 2015.

CITY OF CENTERVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total pension liability										
Service cost	$ 115,947									
Interest	356,024									
Changes of benefit terms	--			(Historical information prior to implementation of GASB 67/68 is not required)						
Differences between expected and actual experience	(10,809)									
Changes of assumptions	(583,163)									
Benefit payments	(195,381)									
Net change in total pension liability	(317,382)									
Total pension liability-beginning	4,691,548									
Total pension liability-ending (a)	$ 4,374,166									
Plan fiduciary net position										
Contributions-employer	$ 231,397									
Contributions-employee	--									
Net investment income	437,417									
Benefit payments	(195,381)									
Administrative expense	(9,368)									
Other	--									
Net change in plan fiduciary net position	464,065									
Plan fiduciary net position-beginning	3,824,716									
Plan fiduciary net position-ending (b)	$ 4,288,781									
City's net pension liability-ending (a) - (b)	$ 85,385									
Plan fiduciary net position as a percentage of the total pension liability	98.05%									
Covered-employee payroll	$ 1,849,132 *									
City's net pension liability as a percentage of covered-employee payroll	4.62%									

*Based on the valuation date of January 1, 2015

See accompanying independent auditor's report

CITY OF CENTERVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	$ 212,926									
Contributions in relation to the actuarially determined contribution	341,044			(Historical information prior to implementation of GASB 67/68 is not required)						
Contribution deficiency (excess)	$ (128,118)									
Covered-employee payroll	$ 2,309,340 *									
Contributions as a percentage of covered-employee payroll	14.77%									

*Based on the City's 2015 fiscal year

Notes to Schedule

Valuation Date: January 1, 2015

The Actuarially determined contribution rate was determined as of January 1, 2015, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2016.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	N/A
Asset valuation method	Sum of acturial value at beginning of 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 the market value at end of year. The acturial value is adjusted, if necessary, to be within 20% of market value.
Inflation	3.25%
Salary increases	3.25% plus service based merit increases
Investment rate of return	7.75% net pension plan investment expense, including inflation
Retirement age	65
Mortality	The mortality and economic acturial assumptions used in the January 1, 2015 valuation were based on the results of an acturial experience study for the period january 1, 2010 through June 30, 2014.
Other Information:	This schedule is presented to illustrate the requirement to show information for 10 years. However, a full 10-year trend is not available. The Actuarially determined contribution rate was determined as of January 1, 2015, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2016.

See accompanying independent auditor’s report

CITY OF CENTERVILLE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue	Capital Project	
	Confiscated Assets	LMIG	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 22,706	$ --	$ 22,706
Due from other funds	--	61,773	61,773
Total assets	$ 22,706	$ 61,773	$ 84,479
LIABILITIES AND FUND BALANCE			
Liabilities -			
Unearned revenue	$ --	$ 61,773	$ 61,773
Total liabilities	--	61,773	61,773
Fund balance -			
Restricted	22,706	--	22,706
Total fund balances	22,706	--	22,706
Total liabilities and fund balances	$ 22,706	$ 61,773	$ 84,479

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, 2015

	Special Revenue	Capital Project	
	Confiscated Assets	LMIG	Total Nonmajor Governmental Funds
Revenues -			
Confiscations	$ 15,000	$ --	$ 15,000
Total revenues	15,000	--	15,000
Expenditures -			
Current-			
Public safety	8,851	--	8,851
Total expenditures	8,851	-	8,851
Excess of revenues over expenditures	6,149	--	6,149
Net change in fund balance	6,149	--	6,149
Fund balance, beginning of year	16,557	--	16,557
Fund balance, end of year	$ 22,706	$ --	$ 22,706

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, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash	$ 35,222	$ 616,937	$ 614,430	$ 37,729
Due from others	3,446	185,015	184,146	4,315
Total assets	$ 38,668	$ 801,952	$ 798,576	$ 42,044
LIABILITIES				
Due to others	$ 38,668	$ 742,678	$ 739,302	$ 42,044
Total liabilities	$ 38,668	$ 742,678	$ 739,302	$ 42,044

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, 2015

	Budgeted Amounts			Variance With Final
	Original	Final	Actual	Budget
Revenues-				
Confiscations	$ --	$ --	$ 15,000	$ 15,000
Total revenues	--	--	15,000	15,000
Expenditures:				
Current -				
Travel - State	--	--	860	(860)
Material and supplies - State			7,991	(7,991)
Total expenditures	--	--	8,851	(8,851)
Net change in fund balance	--	--	6,149	$ 6,149
Fund balance, beginning of year	--	--	16,557	
Fund balance, end of year	$ --	$ --	$ 22,706	

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, 2015

	Prior Years Actual	Current Year Actual	Total Actual to Date	Project Authorization
Revenues -				
Intergovernmental -				
Grants - State - Department of Transportation	$ --	$ --	$ --	$ 61,773
Total revenues	--	--	--	61,773
Expenditures -				
Capital outlay -				
Streets	--	--	--	80,305
Total expenditures	--	--	--	80,305
Excess (deficit) of revenues over (under) expenditures	--	--	--	(18,532)
Other financing sources (uses)-				
Transfer in	--	--	--	18,532
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, 2015

	Prior Years Actual	Current Year Actual	Total Actual to Date	Project Authorization
Revenues -				
Intergovernmental:				
Special purpose local option sales tax	$ 1,096,860	$ 710,149	$ 1,807,009	$ 5,050,000
Interest income - loan proceeds	718	--	718	--
Interest income	2,362	1,766	4,128	--
Total revenues	1,099,940	711,915	1,811,855	5,050,000
Expenditures:				
Capital outlay:				
Road construction/reconstruction	269,280	21,220	290,500	706,500
Water and sewer system improvement	163,562	--	163,562	706,500
Public safety facilities and equipment	2,800,300	1,872	2,802,172	3,000,000
Debt service:				
Principal	583,317	591,542	1,174,859	589,151
Interest	42,300	34,075	76,375	47,849
Total expenditures	3,858,759	648,709	4,507,468	5,050,000
Excess (deficit) of revenues over expenditures	(2,758,819)	63,206	(2,695,613)	--
Other financing sources(uses)- Loan proceeds	3,000,000	--	3,000,000	--
Total other financing sources(uses)	3,000,000	--	3,000,000	--
Net change in fund balances	$ 241,181	63,206	$ 304,387	$ --
Fund balance, beginning of year		241,181		
Fund balance, ending of year		$ 304,387		

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, 2015

2012 Project Description	Estimated Cost		Expenditures		
Per SPLOST Referendum	Original	Current	Prior Years	Current Year	Total
Roads,streets & sidewalks	$ 706,500	$ 706,500	$ 269,280	$ 21,220	$ 290,500
Water & sewer improvement	706,500	706,500	163,562	--	163,562
Debt payoff water & sewer	637,000	637,000	--	--	--
Public safety facilities & equipment	3,000,000	3,000,000	2,800,300	1,872	2,802,172
Sub-total	5,050,000	5,050,000	3,233,142	23,092	3,256,234
Reconciling item to adjust for principal payments on debt related to 2012 Project -					
Principal payments on debt	--	3,000,000	625,617	625,617	1,251,234
Reconciled total	$ 5,050,000	$ 8,050,000	$ 3,858,759	$ 648,709	$ 4,507,468

See accompanying independent auditor's report

II. REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

NICHOLS, CAULEY & ASSOCIATES, LLC
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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, 2015, 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 November 12, 2015.

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 certain deficiencies 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 2015-1 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 2015-2 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
November 12, 2015

CITY OF CENTERVILLE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2015

SUMMARY OF AUDIT RESULTS:

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

2. Deficiencies in internal control were disclosed by the audit of the City of Centerville, Georgia's financial statements (items 2015-1 through 2015-2). We consider item 2015-1 to be a material weakness and item 2015-2 to be a significant deficiency.

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

FINANCIAL STATEMENT FINDINGS:

2015-1

Material Weakness in Internal Control Over Financial Reporting – 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:

The City concurs with this recommendation and realizes that with limited personnel, adequate segregation of duties is not possible. In an effort to mitigate this deficiency, the City exercises alert supervision over employees and performs internal audits 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, 2015

2015-2

Significant Deficiency in Internal Control Over Financial Reporting – 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 56,709,113 gallons of water, or 18% of gallons sold, were unaccounted for during fiscal year 2015.

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:

The City Concurs with this recommendation and continues with its residential meter change-out program and repairs all water leaks as soon as possible. The discrepancy of water sold vs. pumped has increased from 17% in FY 2014 to 18% in FY 2015 as well as the total number of gallons has increased from 52,198,136 gallons for FY 2014 to 56,709,113 gallons for FY 2015.

PRIOR YEAR AUDIT FINDINGS

Prior Year Material Weakness – Current year material weakness 2015-1 was prior year material weakness 2014-1.

Prior Year Significant Deficiency – Current year significant deficiency 2015-2 was prior year significant deficiency 2014-2.

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