CITY OF CHATSWORTH, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

INTRODUCTORY SECTION

CITY OF CHATSWORTH, GEORGIA
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December 31, 2011

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CITY OF CHATSWORTH, GEORGIA
COUNCIL MEMBERS AND MANAGEMENT
As of December 31, 2011

Mayor…….……Tyson Haynes

Mayor Pro-Tem/Public Safety…….……..……...Fred Welch

Council Member/Infrastructure…….……..……..……...Gary Brock

Council Member/Intergovernmental Relations & Technology……..…Celeste Martin

Council Member/Finance Officer……..……..……...Wayne Graves

City Clerk……..……..…….Wilma Nolan

Assistant City Clerk……..……..…….Joyce Jones

City Judge…….…..Ron Wilson

FINANCIAL SECTION

BRC

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American Institute of
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Georgia and Tennessee Societies
of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Mayor and Council Members
City of Chatsworth, Georgia
Chatsworth, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Chatsworth, Georgia, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Chatsworth, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Water Works Commission Enterprise Fund, which represents seventy-one percent and sixty-three percent of the assets and revenues, respectively, of all fund types and account groups. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Water Works Commission Enterprise Fund, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Chatsworth, Georgia as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2012, on our consideration of the City of Chatsworth, Georgia's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 and the schedule of funding progress for retirement plans on page 49 is not a required part of the basic financial statement, but is supplementary information required by Government Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chatsworth, Georgia's basic financial statements. The introductory section, supplemental information and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information section has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

B R Crowe CPA

B. Rodney Crowe, CPA

June 21, 2012

CITY OF CHATSWORTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Chatsworth, Georgia, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Chatsworth, Georgia for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

The assets of the City of Chatsworth, Georgia exceeded its liabilities at December 31, 2011 by $33,980,573 (net assets). Of this amount, $7,406,608 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's governmental activities operated at a deficit of $741,190. The City's business-type activities operated at a surplus of $753,338.

As of the close of the current fiscal year, the City of Chatsworth, Georgia's governmental funds reported combined ending fund balances of $9,698,112.

At the end of the current fiscal year, unreserved fund balance for the general fund was $5,795,242, or 149.38% of total general fund expenditures.

As of the close of the current fiscal year, the City of Chatsworth, Georgia's enterprise funds reported combined ending net assets of $24,282,461. Of that balance, $1,611,366 or 6.64% is unrestricted, and the remaining 93.36% of net assets or $22,671,095 is invested in capital assets and restricted to capital projects and debt service.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Chatsworth, Georgia's finances, in a manner similar to a private-sector business.

The government-wide financial statements are:

The *statement of net assets* presents information on all of the City of Chatsworth, Georgia's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Chatsworth, Georgia is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Chatsworth, Georgia that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Chatsworth, Georgia include general government, public safety, public works, and public welfare and recreation. The business-type activities of the City of Chatsworth, Georgia include the Water and Sewer Fund.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Chatsworth, Georgia, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Chatsworth, Georgia can be divided into two categories: governmental funds and proprietary 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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

The City of Chatsworth, Georgia adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for all governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 through 22 of this report.

Proprietary Funds
The City of Chatsworth, Georgia maintains one type of proprietary fund: Enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Chatsworth, Georgia uses enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered to be a major fund of the City of Chatsworth, Georgia.

The basic proprietary fund financial statements can be found on pages 23 through 26 of this report.

Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 through 48 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Chatsworth, Georgia, assets exceeded liabilities by $33,980,573 at the close of this fiscal year.

The largest portion of the City of Chatsworth, Georgia's net assets (72.83%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City of Chatsworth, Georgia uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Chatsworth, Georgia's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. Unspent revenue of $845,949 or 2.49%, is restricted for capital projects, and $980,970, or 2.88%, is restricted for debt services. All of the unrestricted net assets, or 21.80% of total assets, may be used to meet the government's ongoing obligations to its citizens and creditors.

At December 31, 2011, the City of Chatsworth, Georgia is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The table below provides a summary of the City's net assets broken down by governmental and business type activities.

City of Chatsworth, Georgia
Net Assets

	2011		2010		2011	2010
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities	Total	Total
Current and other assets	$ 5,983,724	$ 4,482,292	$ 6,336,892	$ 4,829,074	$ 10,466,016	$ 11,165,966
Capital assets, net	3,902,865	29,126,860	4,287,865	29,885,309	33,029,725	34,173,174
Total assets	9,886,589	33,609,152	10,624,757	34,714,383	43,495,741	45,339,140
Current liabilities	188,477	1,941,470	185,455	2,344,873	2,129,947	2,530,328
Long-term liabilities	-	7,385,221	-	8,840,387	7,385,221	8,840,387
Total liabilities	188,477	9,326,691	185,455	11,185,260	9,515,168	11,370,715
Net assets:						
Invested capital assets - net of related debt	3,902,865	20,844,181	4,287,865	19,677,823	24,747,046	23,965,688
Restricted	5	1,826,914	5	1,971,604	1,826,919	1,971,609
Unrestricted	5,795,242	1,611,366	6,151,432	1,879,696	7,406,608	8,031,128
Total net assets	$ 9,698,112	$ 24,282,461	$ 10,439,302	$ 23,529,123	$ 33,980,573	$ 33,968,425

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE
(Continued)

Changes in Net Assets

Governmental activities decreased the City's net assets by $741,190, while business-type activities increased the City's net assets by $753,338. However, the City can only use the net assets obtained through business-type activities to finance the continuing operations of the sewer and water systems.

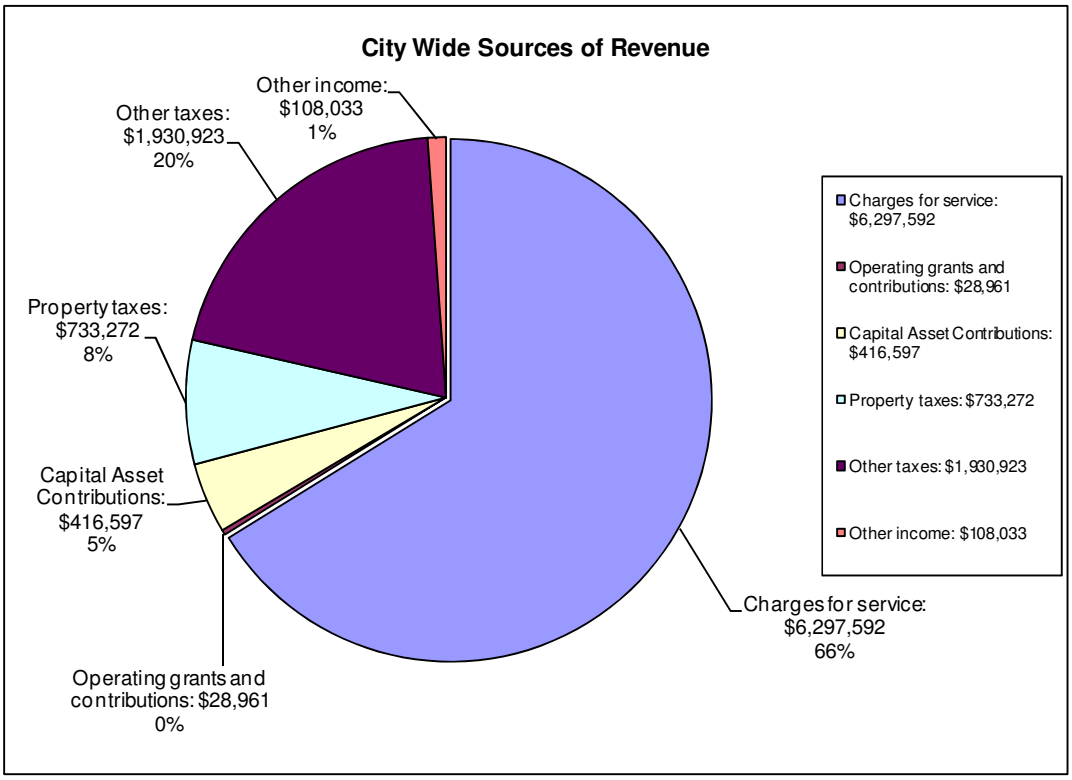
The table below provides a summary of the City's net assets broken down by governmental and business-type activities.

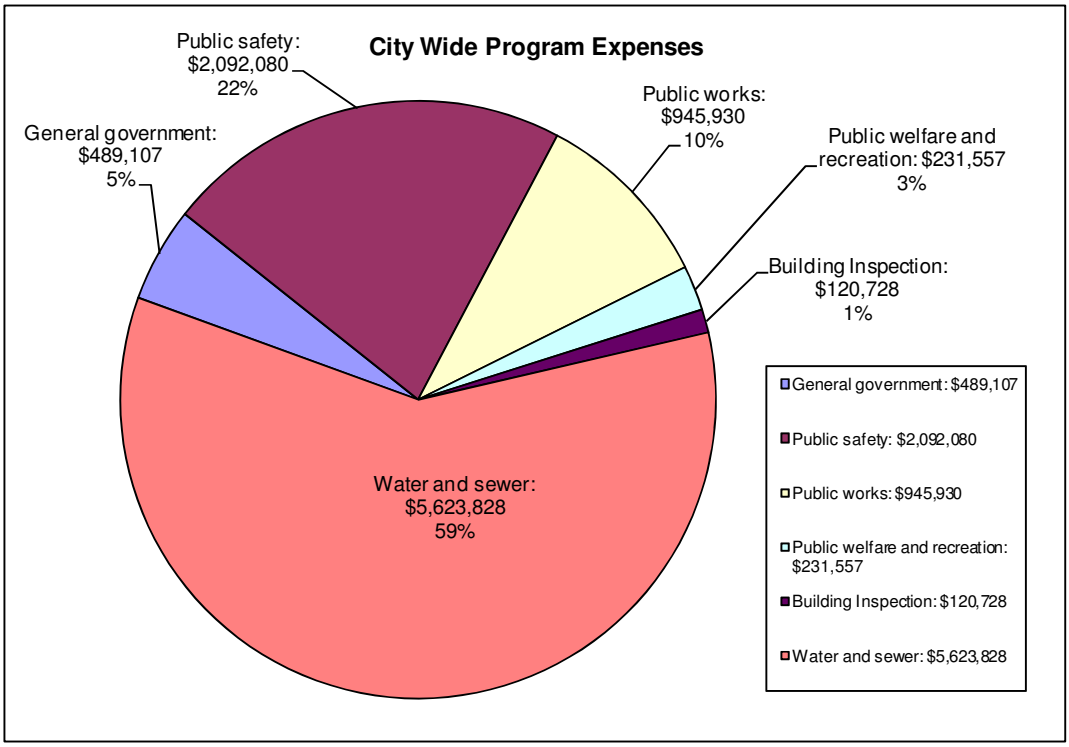
City of Chatsworth, Georgia
Changes in Net Assets

	2011		2010		2011	2010
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities	Total	Total
REVENUE						
Program revenues:						
Charges for services	$ 382,900	$ 5,914,692	$ 431,947	$ 5,918,845	$ 6,297,592	$ 6,350,792
Operating grants and contributions	28,961	-	99,914	-	28,961	99,914
Capital grants and contributions	416,597	-	419,642	-	416,597	419,642
General revenues:						
Property taxes	733,272	-	794,809	-	733,272	794,809
Other taxes	1,930,923	-	1,840,813	-	1,930,923	1,840,813
Other income	66,512	41,521	84,846	581,160	108,033	666,006
Total revenues	3,559,165	5,956,213	3,671,971	6,500,005	9,515,378	10,171,976
EXPENSES						
General government	489,107	-	462,829	-	489,107	462,829
Public safety	2,092,080	-	2,027,039	-	2,092,080	2,027,039
Public works	945,930	-	951,460	-	945,930	951,460
Public welfare and recreation	231,557	-	176,501	-	231,557	176,501
Buiding inspection	120,728	-	131,743	-	120,728	131,743
Interest on long-term debt	-	361,211	-	415,414	361,211	415,414
Water & sewer	-	5,262,617	-	4,777,787	5,262,617	4,777,787
Total expenses	3,879,402	5,623,828	3,749,572	5,193,201	9,503,230	8,942,773
Transfers	(420,953)	420,953	(415,286)	415,286	-	-
Change in net assets	(741,190)	753,338	(492,887)	1,722,090	12,148	1,229,203
Net assets - beginning	10,439,302	23,529,123	10,932,189	21,807,033	33,968,425	32,739,222
Net assets - ending	9,698,112	$ 24,282,461	$ 10,439,302	$ 23,529,123	$ 33,980,573	$ 33,968,425

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE
(Continued)

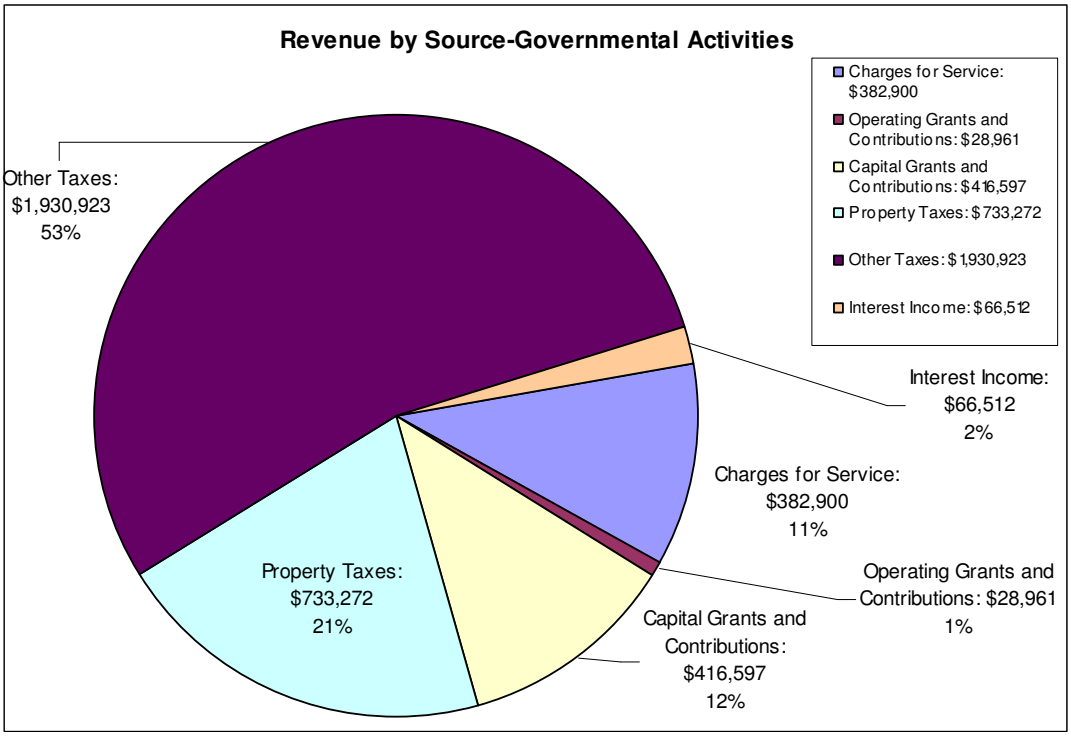
The graphs below summarize the $9,515,378 of City-Wide Revenue by source, and the associated $9,503,230 of expenses by program. The graph combines data from both governmental and business-type activities.



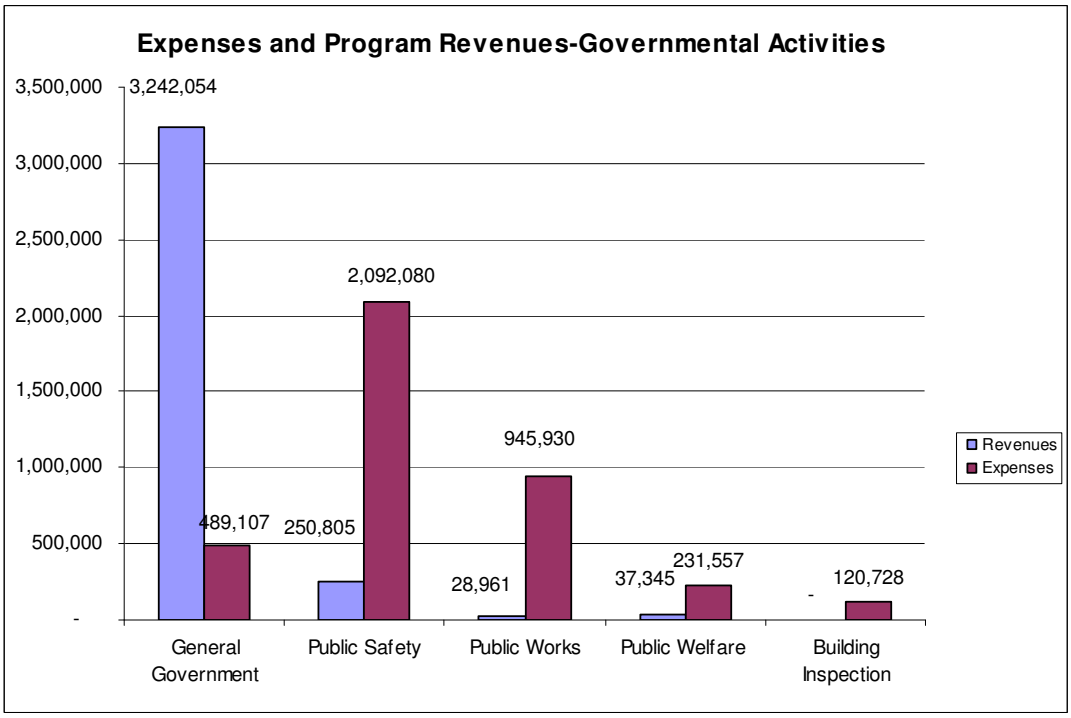


FINANCIAL ANALYSIS OF THE CITY AS A WHOLE
(Continued)

Governmental activities accounted for revenues of $3,559,165. The following graph summarizes the revenue by source.

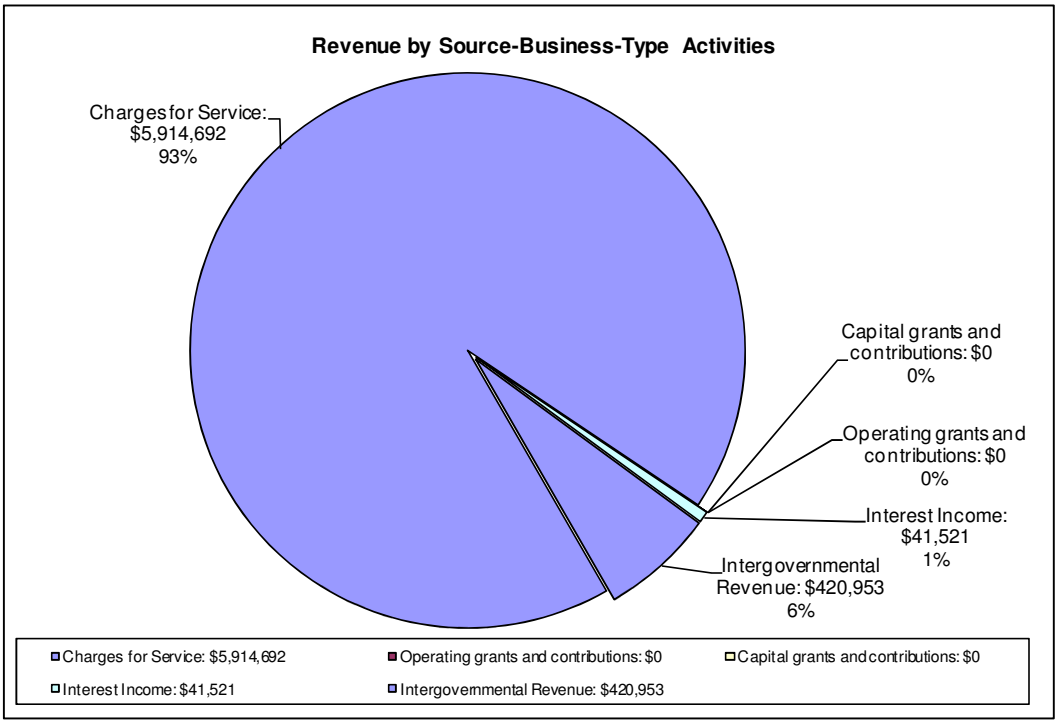


The following graph summarizes the revenue and related expense for each governmental program of the City. The difference between expense and revenue is the financial burden placed on the City's taxpayers for each program.

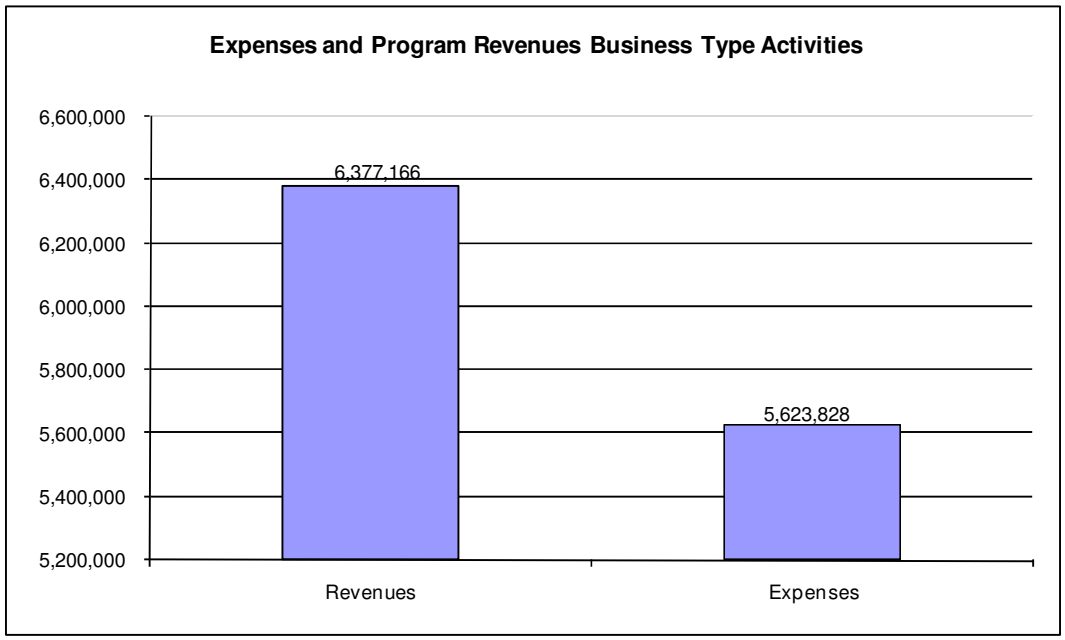


Business-type activities

Business-type activities accounted for revenues of $6,377,166. The following graph summarizes the revenue by source.



The following graph summarizes the revenue and related expense of operating the Sewer and Water fund.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Chatsworth, Georgia uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds
The focus of the City of Chatsworth, Georgia'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 of Chatsworth, Georgia's financing requirements. The unreserved fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year, the City of Chatsworth, Georgia's governmental funds reported combined ending fund balances of $5,727,059. 99.99% of this total amount or $5,727,054 constitutes unreserved fund balance.

The general fund is the chief operating fund of the City of Chatsworth, Georgia. At the end of the current fiscal year, unreserved fund balance of the general fund was $5,727,054. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total general fund expenditures. Unreserved fund balance represents 163.89% of total fund expenditures.

Proprietary Funds
The City of Chatsworth, Georgia's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at the end of the year amounted to $1,611,366.

General Fund Budgetary Highlights
Street improvements expenditure is 62.86%, or $182,944, under budget as a cost control by the City.

City of Chatsworth, Georgia's Outstanding Debt
At the end of the current fiscal year, the City of Chatsworth, Georgia had no debt outstanding in the governmental fund and $8,282,679 outstanding in the proprietary fund. See Note 9 for detail of debt.

Requests for Information
This financial report is designed to provide a general overview of the City of Chatsworth, Georgia's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the City of Chatsworth, Georgia.

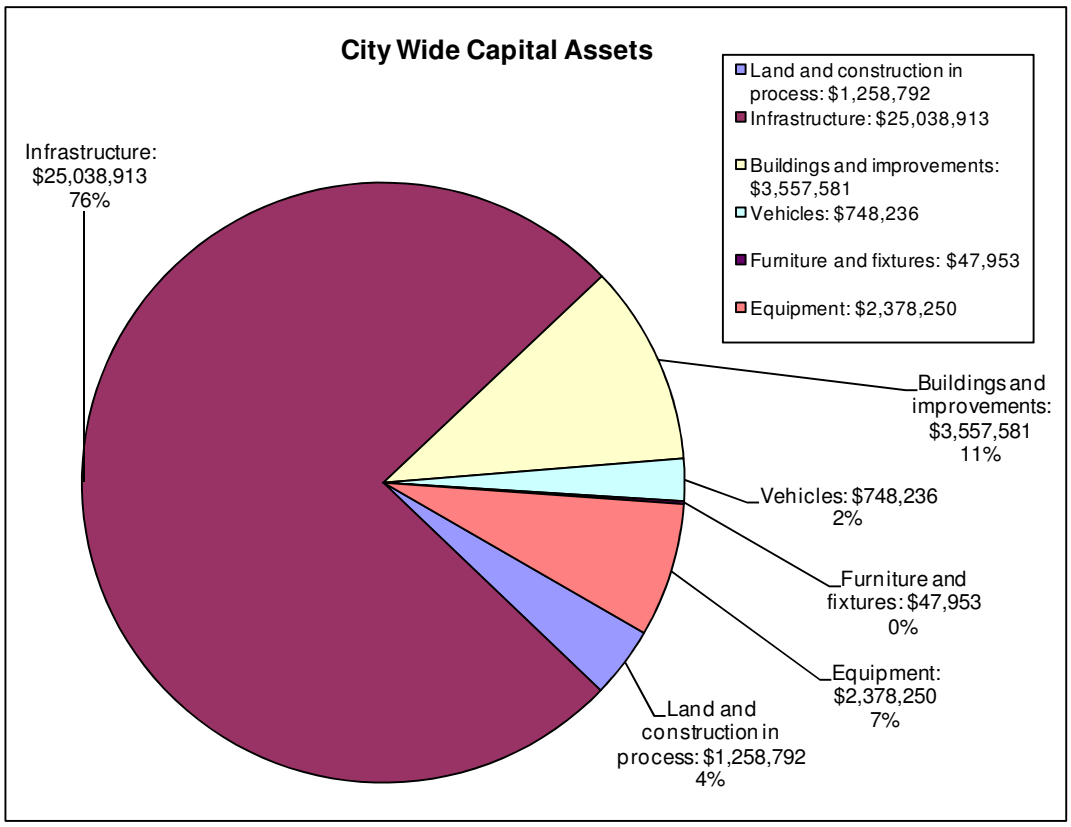
CAPITAL ASSET AND DEBT ADMMINISTRATION

Investment in capital assets, net of accumulated depreciation, for both governmental and business-type activities, *Primary Government*, decreased $1,143,449. Beginning balance was $34,173,174, plus current year additions of $642,458, less current year depreciation of $1,773,877, less net dispositions / reclassifications of $12,030, resulted in an ending balance of $33,029,725.

The table below summarizes the City's investment in capital assets and is broken down by government and business type activities. Additional information on the City's capital assets can be found in Note 6 on pages 38 and 39 of this report.

City of Chatsworth, Georgia's Capital Assets
(Net of Depreciation)

	Governmental Activities	Business-Type Activities	Total
Land and construction in process	$ 595,407	$ 663,385	$ 1,258,792
Infrastructure	1,135,450	23,903,463	25,038,913
Buildings and improvements	1,051,269	2,506,312	3,557,581
Vehicles	612,276	135,960	748,236
Furniture and fixtures	17,759	30,194	47,953
Equipment	490,704	1,887,546	2,378,250
Total capital assets	$ 3,902,865	$ 29,126,860	$ 33,029,725



BASIC FINANCIAL STATEMENTS

CITY OF CHATSWORTH, GEORGIA
Statement of Net Assets
December 31, 2011

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents:			
Available	$ 1,532,290	$ 1,142,037	$ 2,674,327
Restricted for specific use	5	1,153,414	1,153,419
Investments			
Available	2,250,000	626,645	2,876,645
Restricted for specific use	-	673,500	673,500
Property taxes receivable	120,444	-	120,444
Other taxes receivable	779,242	-	779,242
Other receivables	9,502	632,915	642,417
Inventory	-	136,304	136,304
Prepaid expenses	-	35,474	35,474
Notes receivable:			
Current - Water Works	501,309	-	501,309
Non-Current - Water Works	678,989	-	678,989
Due from other governments:			
Available	111,943	(16,605)	95,338
Restricted for capital projects	68,097	-	68,097
Internal balances	(68,097)	68,097	-
Issuance costs	-	13,906	13,906
Land and other non-depreciable assets	595,407	663,385	1,258,792
Other capital assets, net of depreciation	3,307,458	28,463,475	31,770,933
Total assets	9,886,589	33,592,547	43,479,136
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	39,993	222,985	262,978
Accrued expenses and other liabilities:			
From unrestricted assets	148,484	131,647	280,131
From restricted assets	-	75,929	75,929
Customer deposits	-	647,623	647,623
Unearned revenue	-	24,223	24,223
Long-term liabilities:			
Due within one year	-	822,458	822,458
Due in more than one year	-	7,385,221	7,385,221
Total liabilities	188,477	9,310,086	9,498,563
Net Assets:			
Invested in capital assets, net of related debt	3,902,865	20,844,181	24,747,046
Restricted for debt service	-	980,970	980,970
Restricted for capital projects	5	845,944	845,949
Unrestricted	5,795,242	1,611,366	7,406,608
Total net assets	$ 9,698,112	$ 24,282,461	$ 33,980,573

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Statement of Activities
Year Ended December, 31, 2011

Functions/Programs		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
Primary Government	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contribtions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	$ 489,107	$ 94,750	$ -	$ 416,597	$ 22,240	$ -	$ 22,240
Public safety	2,092,080	250,805	-	-	(1,841,275)	-	(1,841,275)
Public works	945,930	-	28,961	-	(916,969)	-	(916,969)
Public welfare and recreation	231,557	37,345	-	-	(194,212)	-	(194,212)
Building Inspection	120,728	-	-	-	(120,728)	-	(120,728)
Interest on long-term debt	-	-	-	-	-	-	-
Total govenrmental activities	3,879,402	382,900	28,961	416,597	(3,050,944)	-	(3,050,944)
Business-type activities:							
Water & Sewer	5,623,828	5,914,692	-	-	-	290,864	290,864
Total business-type activities	5,623,828	5,914,692	-	-	-	290,864	290,864
Total primary government	$9,503,230	$6,297,592	$ 28,961	$ 416,597	$ (3,050,944)	$ 290,864	$ (2,760,080)
General revenues:							
Property tax					$ 733,272	$ -	$ 733,272
Franchise tax					842,627	-	842,627
Local option sales tax					630,843	-	630,843
Malt beverage tax					135,067	-	135,067
Motor vehicle tax					21,297	-	21,297
Occupational tax					61,222	-	61,222
Premium tax					201,641	-	201,641
Other taxes					38,226	-	38,226
Interest revenue					66,512	41,521	108,033
Other revenue					-	-	-
Total general revenue					2,730,707	41,521	2,772,228
Transfers					(420,953)	420,953	-
Total general revenues and transfers					2,309,754	462,474	2,772,228
Change in net assets					(741,190)	753,338	12,148
Net assets - beginning of year					10,439,302	23,529,123	33,968,425
Net assets - end of year					$ 9,698,112	$24,282,461	$33,980,573

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Governmental Funds
Balance Sheet
December 31, 2011

	General Fund	SPLOST Capital Projects	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash	$ 3,782,290	$ 5	$ -	$ 3,782,295
Property tax receivable - net	120,444	-	-	$ 120,444
Note receivable - water works	1,180,298	-	-	$ 1,180,298
Other receivables	788,744	-	-	$ 788,744
Due from other governments	111,943	68,097	-	$ 180,040
TOTAL ASSETS	$ 5,983,719	$ 68,102	$ -	$ 6,051,821
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 39,993	$ -	$ -	39,993
Accrued Wages	38,445	-	-	38,445
Compensated absences	110,039	-	-	110,039
Due to Water Works	-	68,097	-	68,097
Deferred revenue - property taxes	68,188	-	-	68,188
Total liabilities	256,665	68,097		324,762
Fund Balances				
Unassigned	5,727,054	-	-	5,727,054
Restricted for SPLOST Projects	-	5	-	5
Total fund balances	5,727,054	5	-	5,727,059
TOTAL LIABILITIES AND FUND BALANCES	$ 5,983,719	$ 68,102	$ -	$ 6,051,821

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
December 31, 2011

Total fund balances per governemental funds balance sheet	$	5,727,059
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,902,865
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		68,188
Net assets of governmental activities	$	9,698,112

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2011

	General Fund	SPLOST Capital Projects	Other Governmental Fund	Total Governmental Funds
REVENUES				
Taxes	$ 2,668,764	$ -	$ -	$ 2,668,764
License and permits	33,339	-	-	33,339
Intergovernmental	28,961	416,597	-	445,558
Fines and forfeitures	200,826	-	-	200,826
Interest revenue	66,512	-	-	66,512
Other revenue	148,737	-	-	148,737
Total revenues	3,147,139	416,597	-	3,563,736
EXPENDITURES				
Current expenditures				
General government	344,308	-	-	344,308
Public safety	1,919,685	-	-	1,919,685
Street department	920,405	-	-	920,405
Public welfare and recreation	190,940	-	-	190,940
Building inspector	119,063	-		119,063
Total expenditures	3,494,401	-	-	3,494,401
Excess (deficiency) of revenues over expenditures	(347,262)	416,597	-	69,335
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	(420,953)	-	(420,953)
Net change in fund balance	(347,262)	(4,356)	-	(351,618)
Fund balances - beginning of year	6,074,316	4,361	-	6,078,677
Fund balances - end of year	$ 5,727,054	$ 5	$ -	$ 5,727,059

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2011

Net change in fund balances for total governmental funds	$ (351,618)
Governmental funds report capital outlay 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 exceeds capital outlay in the current period.	(385,000)
Revenues in the Statement of Activites that do not provide current financial resources are not reported as revenues in the funds.	(4,572)
Change in net assets of governmental activities	$ (741,190)

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2011

	Budgeted Amounts			Variance Over
	Original	Final	Actual	(Under)
REVENUES				
Taxes				
City property tax	$ 826,045	$ 826,045	$ 737,841	$ (88,204)
Premium tax	200,000	200,000	201,641	1,641
Franchise tax	846,000	846,000	842,627	(3,373)
Local options sales tax	600,000	600,000	630,843	30,843
Malt beverage tax	136,800	136,800	135,067	(1,733)
Motor vehicle tax	20,396	20,396	21,297	901
Occupational tax	65,000	65,000	61,222	(3,778)
Banking tax	28,000	28,000	38,226	10,226
Total taxes	2,722,241	2,722,241	2,668,764	(53,477)
License and permits				
Building permits	-	-	90	90
Malt and beverage license	25,200	25,200	33,249	8,049
Total license and permits	25,200	25,200	33,339	8,139
Intergovernmental				
State grants for street const.	118,000	118,000	28,961	(89,039)
Total intergovernmental	118,000	118,000	28,961	(89,039)
Fines and forfeitures				
Police and courts	226,500	226,500	200,826	(25,674)
Total fines and forfeitures	226,500	226,500	200,826	(25,674)
Interest revenue				
Interest	125,000	125,000	66,512	(58,488)
Total interest revenue	125,000	125,000	66,512	(58,488)
Other revenue				
Sanitation fees	35,000	35,000	37,345	2,345
Probation fees	45,000	45,000	49,661	4,661
Miscellaneous	60,150	60,150	61,731	1,581
Total other revenue	140,150	140,150	148,737	8,587
TOTAL REVENUES	$ 3,357,091	$ 3,357,091	$ 3,147,139	$ (209,952)

(Continued)

CITY OF CHATSWORTH, GEORGIA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended December 31, 2011

	Budgeted Amounts			Variance (Over)
	Original	Final	Actual	Under
EXPENDITURES				
Current expenditures				
General government				
Administration				
Administrative salaries	$ 116,146	$ 116,146	$ 116,014	$ 132
Health Insurance	10,997	10,997	10,131	866
Payroll taxes	13,303	13,303	10,986	2,317
Retirement contribution	9,064	9,064	6,042	3,022
Advertising	3,500	3,500	55	3,445
Telephone	7,500	10,050	10,103	(53)
Office supplies	12,000	12,000	11,898	102
Repairs and maintenance	30,000	30,900	26,641	4,259
Dues and subscriptions	20,000	15,900	14,466	1,434
Professional services	23,500	24,150	24,150	-
Utilities	16,500	16,500	8,411	8,089
Miscellaneous expenditures	30,000	30,000	18,430	11,570
Tree City USA	14,447	14,447	3,325	11,122
Library aid	30,000	30,000	30,000	-
Contributions	4,200	4,200	1,000	3,200
Total administration	341,157	341,157	291,652	49,505
Building and plant				
Insurance	15,000	15,000	7,864	7,136
Janitorial	7,000	7,000	5,038	1,962
Total building and plant	22,000	22,000	12,902	9,098
Council				
Mayor and Council	27,600	27,600	27,600	-
Total council	27,600	27,600	27,600	-
Elections				
Election	2,500	2,500	788	1,712
Total elections	2,500	2,500	788	1,712
Law				
Professional services	10,000	10,000	9,004	996
Education and training	7,500	7,500	2,362	5,138
Total law	17,500	17,500	11,366	6,134
Total general government	$ 410,757	$ 410,757	$ 344,308	$ 66,449

(Continued)

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended December 31, 2011

	Budgeted Amounts			Variance (Over)
	Original	Final	Actual	Under
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Public safety				
Police department				
Salaries	$ 713,898	$ 713,898	$ 720,487	$ (6,589)
Payroll taxes	54,613	54,613	53,937	676
Group health insurance	82,905	82,905	82,905	-
Retirement expenditures	48,344	48,344	48,344	-
Unemployment tax	17,160	17,160	6,600	10,560
Workers compensation insurance	15,000	15,000	954	14,046
Office supplies	9,000	5,200	3,990	1,210
Janitorial	7,500	7,500	6,249	1,251
Utilities	8,500	8,500	7,903	597
Telephone	8,100	8,100	6,976	1,124
Insurance	15,000	15,000	12,435	2,565
Uniforms	8,300	8,300	5,441	2,859
Fuel	40,000	44,000	46,281	(2,281)
Supplies and materials	9,000	9,000	5,522	3,478
Repairs and maintenance	16,500	16,500	11,966	4,534
Personnel training	9,900	9,900	4,545	5,355
State Fines	28,000	28,000	14,009	13,991
Jail board and fund	50,000	50,000	39,806	10,194
Medical expenditures	2,000	2,000	-	2,000
Vehicle expenditures	12,000	8,000	6,022	1,978
Miscellaneous	20,300	20,300	9,300	11,000
Peace officer training fund	20,000	20,000	12,571	7,429
Probation supervision fees	15,000	15,000	8,983	6,017
Budgeted and nonbudgeted contributions	33,500	33,500	17,307	16,193
Capital Purchases	-	3,800	3,768	32
Total police department	1,244,520	1,244,520	1,136,301	108,219
Fire department				
Salaries	564,364	564,364	553,532	10,832
Payroll taxes	43,174	43,174	41,266	1,908
Group health insurance	60,782	60,782	61,793	(1,011)
Retirement expenditures	39,570	39,570	33,236	6,334
Workers compensation insurance	20,000	20,000	1,518	18,482
Insurance	10,000	6,550	5,867	683
Telephone	5,350	5,250	5,297	(47)
Personnel training	3,000	3,250	3,304	(54)
Office supplies	2,000	750	401	349
Maintenance	7,600	6,000	5,963	37
Utilities	18,000	20,850	21,446	(596)
Fuel	9,000	13,000	12,998	2
Uniforms	5,000	4,550	4,212	338
Protective clothing	6,000	7,050	7,044	6
Equipment repairs	21,250	20,000	19,366	634
Truck expenditures	5,000	5,000	4,997	3
Miscellaneous	2,050	1,250	1,144	106
Total fire department	822,140	821,390	783,384	38,006
Total public safety	$ 2,066,660	$ 2,065,910	$ 1,919,685	$ 146,225

(Continued)

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended December 31, 2011

	Budgeted Amounts			Variance (Over)
	Original	Final	Actual	Under
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Public works				
Street department				
Salaries	$ 422,310	$ 422,310	$ 412,390	$ 9,920
Payroll taxes	32,307	32,307	30,390	1,917
Group health Ins	59,437	59,437	54,373	5,064
Retirement insurance	33,236	33,236	30,649	2,587
Workers compensation Ins	17,921	17,921	1,432	16,489
Insurance	15,000	15,000	11,484	3,516
Auto	15,000	15,000	4,794	10,206
Uniforms	9,500	9,500	6,020	3,480
Fuel	45,000	51,000	50,256	744
Supplies & materials	45,000	28,040	18,237	9,803
Repairs and maintenance	15,000	21,300	21,378	(78)
Utilities	170,000	173,000	169,178	3,822
Street improvements	291,040	291,040	108,096	182,944
Office supplies	1,000	1,000	46	954
Telephone	2,000	2,000	1,257	743
Equipment rental	1,000	1,000	-	1,000
Miscellaneous	4,000	4,000	425	3,575
Total street department	1,178,751	1,177,091	920,405	256,686
Total public works	1,178,751	1,177,091	920,405	256,686
Public welfare and recreation				
Health and Sanitation				
Salaries	46,173	46,173	44,745	1,428
Payroll taxes	3,532	3,532	3,001	531
Group health insurance	6,925	6,925	6,925	-
Retirement expenditures	3,021	3,021	3,021	-
Workers compensation insurance	-	-	213	(213)
Insurance	1,546	1,546	1,473	73
Supplies & materials	6,000	6,000	357	5,643
Repairs & maintenance	10,000	9,000	7,634	1,366
Uniforms	1,200	1,200	1,132	68
Miscellaneous	2,000	2,000	-	2,000
Fuel	16,000	17,000	17,128	(128)
Tipping fees	40,000	40,000	23,654	16,346
Health department aid	5,000	5,000	5,000	-
Budgeted contributions	25,000	25,000	25,000	-
Total health and sanitation	166,397	166,397	139,283	27,114
Parks and recreation				
Recreation expenditures	50,000	51,660	51,657	3
Total parks and recreation	50,000	51,660	51,657	3
Total welfare and recreation	$ 216,397	$ 218,057	$ 190,940	$ 27,117

(Continued)

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended December 31, 2011

	Budgeted Amounts			Variance (Over)
	Original	Final	Actual	Under
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Building inspection				
Salaries	$ 91,134	$ 86,134	$ 79,554	$ 6,580
Payroll taxes	6,972	6,972	6,085	887
Group health	11,991	11,991	10,393	1,598
Retirement	6,043	6,043	6,043	-
Workman's compensation	2,000	2,000	207	1,793
Janitorial	1,700	1,700	1,769	(69)
Insurance	1,000	1,000	809	191
Auto	1,000	1,000	137	863
Utilities	1,500	1,500	34	1,466
Fuel	3,600	3,600	2,804	796
Personnel training	2,500	2,500	763	1,737
Office supplies	500	500	57	443
Maintenance and supplies	4,000	4,000	964	3,036
Equipment repairs	1,000	1,000	75	925
Telephone	2,100	2,100	1,749	351
Dues	250	250	-	250
Uniform	3,200	3,200	2,340	860
Miscellaneous	500	5,500	5,280	220
Capital Purchases	-	-	-	-
Total Building Inspection	140,990	140,990	119,063	21,927
Total Expenditures	4,013,555	4,012,805	3,494,401	518,404
Excess (deficiency) of revenues over expenditures	(656,464)	(655,714)	(347,262)	(308,452)
Other financing sources				
Transfers out	-	-	-	-
Net changes in fund balances	(656,464)	(655,714)	(347,262)	(308,452)
Fund balance - beginning of year	5,641,231	5,172,476	6,074,316	(901,840)
Fund balance - end of year	$ 4,984,767	$ 4,516,762	$ 5,727,054	$(1,210,292)

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Proprietary Funds
Statement of Net Assets
Year Ended December 31, 2011

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ASSETS	Water and Sewerage Fund
CURRENT ASSETS	
Cash	$ 1,142,037
Investments	626,645
Receivables, net of allowance for uncollectibles:	
Accounts	627,156
Interest	5,759
Interfund receivables	68,097
Inventory	136,304
Prepaid expenses	35,474
Restricted assets:	
Cash	1,153,414
Investments	673,500
Total current assets	4,468,386
NON-CURRENT ASSETS	
Capital assets:	
Land	649,734
Buildings	5,423,311
Infrastructure	39,912,887
Machinery and equipment	2,933,866
Vehicles	455,658
Construction in progress	13,651
	49,389,107
Less accumulated depreciation	20,262,247
Total capital assets, net of accumulated depreciation	29,126,860
Other assets:	
Issuance costs	13,906
Total non-current assets	29,140,766
Total Assets	$ 33,609,152

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Proprietary Funds (Continued)
Statement of Net Assets
Year Ended December 31, 2011

LIABILITIES		
CURRENT LIABILITIES		
Payable from current assets:		
Accounts payable	$	222,985
Due to City of Chatsworth		16,605
Compensated absences payable		56,850
Accrued expenses and other liabilities		37,224
Customer deposits payable		647,623
Accrued interest payable		37,573
Unearned Revenue		24,223
Notes payable-current		822,458
		1,865,541
Payable from restricted assets:		
Revenue bonds payable		75,000
Accrued interest payable		929
		75,929
Total current liabilities		1,941,470
LONG-TERM LIABILITIES		
Notes payable		7,135,221
Revenue bonds payable		250,000
Total long-term liabilities		7,385,221
Total liabilities		9,326,691
NET ASSETS		
Invested in capital assets, net of related debt		20,844,181
Restricted for debt service		980,970
Restricted for capital projects		845,944
Unrestricted		1,611,366
Total net assets	$	24,282,461

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended December 31, 2011

	Water and Sewerage Fund
Operating revenues	
Charges for services:	
Water sales	$ 4,181,729
Sewer sales	1,022,973
Connection fees	70,079
Other fees and charges	639,911
Total operating revenues	5,914,692
Operating expenses	
Administrative	1,016,415
Distribution and maintenance	961,485
Sewer plant	526,575
Water plant	1,390,730
Depreciation	1,347,399
Amortization	3,463
Total operating expenses	5,246,067
Operating income	668,625
Non-operating revenues (expenses)	
Interest income	41,521
Interest expense and fiscal charges	(361,211)
Other	(16,550)
Total non-operating expenses, net	(336,240)
Income before contributions and transfers	332,385
Transfers	420,953
Change in net assets	753,338
Total net assets, beginning of year	23,529,123
Total net assets, end of year	$ 24,282,461

The accompanying notes are an integral part of the financial statements

CITY OF CHATSWORTH, GEORGIA
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2011

	Water and Sewerage Fund
Cash Flows from Operating Activities	
Receipts from customers and users	$ 5,976,781
Payments to suppliers	(2,387,303)
Payments to employees	(1,428,003)
Net cash provided by operating activities	2,161,475
Cash Flows from Noncapital Financing Activities	
Other non-operating expenses	(16,550)
Net cash used in noncapital financing activities	(16,550)
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(588,950)
Proceeds from long-term borrowings	275,000
Principal payments on long-term borrowings	(2,199,807)
Interest paid on long-term borrowings	(362,237)
Intergovernmental receipts	408,818
Net cash used in capital and transfers related financing activities	(2,467,176)
Cash Flows from Investing Activities	
Purchases of investments	(2,442)
Interest received	36,947
Net cash provided by investing activities	34,505
Net increase in cash	(287,746)
Cash:	
Beginning of year	2,583,197
End of year	$ 2,295,451
Classified as:	
Cash	$ 1,142,037
Restricted cash	1,153,414
	$ 2,295,451
Reconciliation of Operating Income to Net Cash By Operating Activities	
Operating income	$ 668,625
Adjustments to reconcile operating income to net cash provided by operating activities	
Amortization	3,463
Depreciation	1,347,399
Change in assets and liabilities:	
Decrease in accounts receivable	48,020
Decrease in due from other governments	29,903
Increase in inventory	(4,950)
Decrease in prepaid expenses	1,751
Increase in accounts payable and accrued expenses	53,195
Decrease in unearned revenue	(6,180)
Increase in customer deposits payable	20,249
Net cash provided by operating activities	$ 2,161,475

The accompanying notes are an integral part of the financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Chatsworth, Georgia was incorporated June 7, 1926, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council form of government and provides the following services by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administration services.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The City does not apply FASB pronouncements or Accounting Principles Board Opinions issued after November 30, 1989. The more significant accounting policies of the City are described below.

The following is a summary of the more significant accounting policies:

A. Reporting Entity

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB issued statement No. 14, The Financial Reporting Entity, and GAAP. This statement requires that the financial statements present the City of Chatsworth (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board, and the primary government is able to impose its will upon the potential component unit); or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The following component unit has been presented as a blended component unit because of the significance of the operational relationship with the City.

City of Chatsworth Waterworks Commission – The Commission (a component unit of the City of Chatsworth and a body politic) was duly created under the Acts of the General Assembly of the State of Georgia in 1947. The Commission was created to provide water and related services throughout the City of Chatsworth, Georgia. The Commission currently serves customers in the City of Chatsworth and Murray County, Georgia. Related services include waste treatment, maintenance of water and sewer lines and installation of new water and sewer lines. The Commission is governed by a board of commissioners, which are appointed by the Mayor of Chatsworth.

Discreetly Presented Component Units – The Downtown Development Authority of Chatsworth is a registered local government authority and a component of the City of Chatsworth but is inactive and has no assets. Therefore, it is not presented in the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Related Organizations – The Housing Authority of the City of Chatsworth, Georgia is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of members appointed by the City of Chatsworth, Georgia. The City of Chatsworth, Georgia is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Chatsworth, Georgia is a related organization.

B. Basic Financial Statements – GASB Statement No. 34

The basis financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

Government-wide Statements – The Statement of Net Assets and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. In the government-wide Statement of Net Assets, both governmental and business-type activities are presented on a consolidated basis and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Governmental activities generally are financed through taxes, inter-governmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents both a gross and net cost comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity.

This government-wide focus is designed to view the City as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Fund Financial Statements – The fund financial statements are, in substance, very similar to the financial statements presented in the previous model, and provide information about the City's funds, including governmental funds and enterprise funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental and enterprises funds, each displayed in a separate column.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements – GASB Statement No. 34 (Continued)

Enterprises fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

General Fund – This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund – This governmental fund is used to account for the Special Local Option Sales Tax (SPLOST) receipts of the City.

The City reports the following major enterprise fund:

Water and Sewer Fund – This fund is used to account for the provision of water and sewer services to the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

C. Measurement Focus – Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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.

Government 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. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, and in-lieu of taxes are susceptible to accrual. Licenses and permits, fines and forfeitures, gross receipts taxes and excise taxes are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus – Basis of Accounting (Continued)

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the enterprise fund's principal ongoing operation. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. 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.

Fund equity at the governmental fund level is classified as "fund balance." Fund eq1uity for all other reporting is classified as "net assets."

Fund balance – Generally fund balance represents the difference between assets and liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extend to which the County is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The Council also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the Council action to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Fund balances are reported as unassigned when the residual amount does not meet any of the above criteria. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus – Basis of Accounting (Continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balances in the following order: Committed, assigned, unassigned.

Net Assets – Net assets represent the differences between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted as described in the fund balances section above. All other net assets are reported as unrestricted.

All governmental and business-type activities of the City follow FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

D. Budgetary Data

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

In accordance with O.C.G.A. 36-81-3, budgets are legally adopted for the general fund and the enterprise fund.

During the last weeks of the year, budget requests are prepared for each department based on the activities of the current year with anticipated changes for the next year including needed capital expenditures. The budget requests are submitted to the Council at a scheduled meeting. The council formally adopts an annual appropriated budget for the general fund. This budget is adopted on a departmental basis. The City manager is authorized to transfer budgeted amounts within departments. The Council adopts a flexible budget for the water and sewer fund. The expense estimates of the flexible budget are not appropriations but approved plans.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Therefore, no adjustments are necessary to convert to the actual GAAP data from the budgetary basis. Budgeted amounts reflected in the accompanying budget and actual comparison are as originally adopted or as amended by the Council. Individual amendments are not material in relation to the original appropriations. All annual appropriations, which are not expended, lapse at year-end.

The level of control (the level at which expenses may not exceed appropriations without approval of the Commission) for each legally adopted annual operating budget is at the department level. This is the level of comparison which is presented in the basic financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Encumbrance Accounting

Encumbrance accounting is a system used to track outstanding purchase commitments that have not yet resulted in liabilities. Encumbrances are commitments related to unperformed (executory) contracts for goods or services. When a purchase order or commitment is placed, the governmental unit reduces the amount of budgetary authority remaining in the budget category and records an outstanding encumbrance. When the goods or services have been received, the encumbrance balance is reduced and the expenditure and a liability is recorded. The City of Chatsworth, Georgia does not use encumbrance accounting.

F. Cash and Cash Equivalents

For cash flow reporting purposes in proprietary funds, cash includes petty cash, amounts in demand deposits and cash equivalents. The City of Chatsworth considers all unrestricted highly liquid investments with an initial maturity of four months or less to be cash equivalents. There were no cash equivalents at December 31, 2011.

G. Investments

All investments are made in those investments authorized by state statute and are reported at fair value, which is based on quoted market price.

The City of Chatsworth, Georgia is authorized by Georgia statutes to invest in the following:

1. Deposit accounts with eligible depository institutions.
2. Obligations of the State of Georgia or of other states.
3. Obligations issued by the United States government.
4. Obligations fully insured or guaranteed by the United States government or a United States government agency.
5. Obligations of any corporation of the United States government.
6. Prime bankers' acceptance.
7. The local government investment pool established by Georgia Code Section 36-83-8.
8. Obligations of other political subdivisions of the State of Georgia.
9. Repurchase agreements.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., primary roads, secondary roads, drainage dating back to 1985), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Asset Class	Years
Building and improvements	40
Fire department	7–12
Furniture and equipment	7
Police department	5–12
Public works	7–12
Infrastructure	20

Capital assets of the enterprise fund are accounted for in the enterprise fund and are stated at cost or estimated fair market value when original cost is not available. Major additions are capitalized while maintenance and repairs, including the cost of minor items of property, are expensed as incurred. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The Commission defines its capitalization policy as assets costing $1,000 and having an estimated useful life of greater than three years.

Donated capital assets are valued at their estimated fair value on the date donated. The City's policy is to capitalize the net interest cost incurred during the year resulting from borrowings utilized to finance the construction of assets.

I. Capital Assets

Supplies and materials are recorded as expenditures at the time items are purchased and are not inventoried at year-end due to lack of materiality.

Inventory: Water and Sewer Fund - Inventories of materials and supplies are stated at cost, which approximates market, using the first-in, first-out (FIFO) method. The Commission uses the consumption method of accounting for inventory, in that as materials are purchased they are coded to inventory and then as subsequently used they are expensed in the fund.

J. Interfund Transactions

Interfund Receivables and Payables - Short-term advances between funds are not eliminated but accounted for in the appropriate interfund receivable and payable accounts classified as due to other funds and due from other funds in the fund financial statements, and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Transactions Between Funds - Transactions between funds that would be treated as revenues, expenditures or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expense in the fund that is reimbursed. All other legally authorized transfers are not eliminated but treated as transfers and are included as other financing sources or uses in the governmental funds and reported after non-operating revenues or expenses in the enterprise funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Leave Policies

Employees eligible for leave include full time employees and part-time employees that have been employed by the Council for one year and work a minimum of 20 hours per week.

During the first ten years of employment, a full time employee accrues ten (10) days of vacation leave per year. After ten years, the employee shall accrue fifteen (15) days of vacation leave. The maximum of unused vacation leave a full time and eligible part-time employee may accumulate after ten years is 160 hours. Upon termination of employment from the City, an employee will be paid for accumulated time. The liability for accumulated vacations which represents normal accumulations has been recorded as a current liability.

L. Restricted Net Assets

The City records restrictions of net assets, which are maintained for specific purposes.

M. Long-term Obligations

In the governmental-wide financial statements, long-term debt and other long term obligations are reported as liabilities on the Statement of Net Assets.

N. Property Taxes

Property tax levies by the City are assessed by the Assessor of Property in Murray County and collected by the City. Property tax revenues are recognized on the modified accrual basis.

The property tax calendar applicable to the current fiscal year is as follows:

Lien date	October 20, 2011
Levy date	October 20, 2011
Tax bills mailed	October 20, 2011
Payment due date	October 20, 2011 through February 28, 2012
Delinquency date	March 1, 2012

O. Grants

During the year ended December 31, 2011, the City of Chatsworth received no federal grants.

P. Prepayment of Expenditures

Government fund expenditures for insurance and similar services extending over more than one accounting period are not allocated between accounting periods but accounted for as expenditure in the period disbursed.

Q. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Bond Premium, Discount and Issuance Costs:

Bond premiums, discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums and discounts are presented as an addition and reduction, respectively, of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

NOTE 2. DEPOSITS

It is the City's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation insurance.

Following is a reconciliation of the City's deposit balances as of December 31, 2011:

Cash and cash equivalents, unrestricted	$1,532,290
Cash and cash equivalents, restricted	5
Certificates of deposit, unrestricted (maturities under 4 mos.)	2,250,000
Total	$3,782,295

At year-end, the carrying amount of the City's deposits was $3,783,045 and the bank balances were $3,805,266. Of the bank balance, $500,000 was covered by federal depository insurance and $3,305,266 of the balance was covered by collateral held in the pledging institution's trust departments in the City's name. State statutes and the City policies require collateral at 110% of pledged public fund deposits to be held in the City's name by the trust department. Deposits as categorized above include cash on hand of $250 held by the City.

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2011, all the City's funds which were uninsured were collateralized as required by the Official Code of Georgia Annotated (O.C.G.A.) Section 45-8-12(c) and as defined by GASB pronouncements.

NOTE 2. DEPOSITS (Continued)

Water Works Commission

Following is a reconciliation of the Commission's deposit balances as of December 31, 2011:

Cash and cash equivalents, unrestricted	$ 1,142,037
Cash and cash equivalents, restricted	1,153,414
Certificates of deposit, unrestricted	626,645
Certificates of deposit, restricted	673,500
Cash deposited with financial institutions	$ 3,595,596

At December 31, 2011, the Commission had the following investments:

Investment	Maturities	Fair Value
Certificate of Deposit	May 15, 2012	$ 673,500
Certificate of Deposit	May 27, 2012	263,393
Certificate of Deposit	September 28, 2012	363,252
Total		$ 1,300,145

Interest Rate Risk –The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk: Deposits – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes, and the Commission's policy, require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2011, all the Commission's bank balances were properly collateralized as defined by State statutes.

NOTE 3 – PROPERTY TAXES

A summary of property taxes receivable at December 31, 2011 is as follows:

	Current Levy	Prior Levies	Total
General Fund			
Property Taxes Receivable	$ 98,629	$ 23,178	$ 121,807
Allowance for Uncollectible Taxes	(1,104)	(259)	(1,363)
Net	$ 97,525	$ 22,919	$ 120,444

NOTE 4 – RECEIVABLES

General Fund

The following amounts are due from other governments at December 31, 2011:

City of Chatsworth – Water Works	$ 16,605
Murray County – Georgia	68,097
State of Georgia – Sales Tax	95,338
	$180,040

Proprietary Funds

Accounts Receivable

Customer accounts receivable include billed but uncollected amounts and unbilled receivables based on a pro rata amount of subsequent monthly billings. Allowances for doubtful accounts are maintained based on historical results adjusted to reflect current conditions.

Receivables, including the applicable allowances for uncollectible accounts, consisted of the following at December 31, 2011:

Receivables:	
Accounts	$636,865
Interest	5,759
Intergovernmental	68,097
Gross receivables	710,721
Less allowance for uncollectible	9,709
Net total receivables	$701,012

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund receivables and payables at December 31, 2011 consist of the following:

Amounts receivable from the water and sewer fund to the general fund consist of the following:

Interfund Receivable for Expenses Paid	$16,605
	$16,605

Amounts payable from the general fund to the water and sewer fund consist of the following:

SPLOST funds for Capital projects	$68,097
	$68,097

The purpose of transfers is to allocate revenues from the fund that collects them to the fund that expends the resources.

Transfers for the year ended December 31, 2011 were as follows:

From General Fund to Water and Sewer Fund –	
SPLOST funds for Water and Sewer Improvements	$420,953

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 595,407	$ -	$ -	$ 595,407
Total capital assets not being depreciated	595,407	-	-	595,407
Capital assets being depreciated:				
Infrastructure	2,903,990	49,740		2,953,730
Buildings and improvements	2,047,757	-		2,047,757
Vehicles	1,957,094	-	(70,009)	1,887,085
Equipment	1,152,546	3,768	(70,590)	1,085,724
Furnitures and fixtures	87,067	-	(650)	86,417
Total capital assets being depreciated	8,148,454	53,508	(141,249)	8,060,713
Less accumulated depreciation for:				
Infrastructure	(1,691,921)	(126,359)	-	(1,818,280)
Buildings and improvements	(944,923)	(51,565)	-	(996,488)
Vehicles	(1,174,799)	(163,052)	63,042	(1,274,809)
Equipment	(579,069)	(81,477)	65,527	(595,019)
Furniture and fixtures	(65,284)	(4,025)	650	(68,659)
Total accumulated depreciation	(4,455,996)	(426,478)	129,219	(4,753,255)
Total capital assets being depreciated - net	$ 3,692,458	$ (372,970)	$ (12,030)	$ 3,307,458
Governmental activities capital assets - net	$ 4,287,865	$ (372,970)	$ (12,030)	$ 3,902,865

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

General government	$144,799
Public safety	169,369
Public works	70,915
Public welfare	40,604
Building inspection	791
Total	$426,478

NOTE 6 - CAPITAL ASSETS (Continued)

Water Works Commission

Business-Type activities	Beginning Balance	Increases	Retirements & Transfers	Ending Balance
Capital assets not being depreciated:				
Land	$ 649,734	$ -	$ -	$ 649,734
Construction in progress	17,560	181,416	(185,325)	13,651
Total	667,294	181,416	(185,325)	663,385
Capital assets being depreciated:				
Buildings	5,418,485	4,826	-	5,423,311
Infrastructure	39,507,024	220,538	185,325	39,912,887
Machinery and equipment	2,780,410	36,846	-	2,817,256
Furniture and fixtures	108,092	8,518	-	116,610
Vehicles	318,852	136,806	-	455,658
Total	48,132,863	407,534	185,325	48,725,722
Less accumulated depreciation for:				
Buildings	(2,775,807)	(141,192)	-	(2,916,999)
Infrastructure	(14,979,540)	(1,029,884)	-	(16,009,424)
Machinery and equipment	(791,027)	(138,683)	-	(929,710)
Furniture and fixtures	(72,848)	(13,568)	-	(86,416)
Vehicles	(295,626)	(24,072)	-	(319,698)
Total accumulated depreciation	(18,914,848)	(1,347,399)	-	(20,262,247)
Total capital assets being depreciated - net	29,218,015	(939,865)	185,325	28,463,475
Business-type activities capital assets - net	$ 29,885,309	$ (758,449)	$ -	$ 29,126,860

NOTE 7 - DEFERRED REVENUES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable	Total
Property taxes	$68,188	$68,188

Funds that are earned, but not available, are realized as revenue under GASB #33.

NOTE 8 – RETIREMENT PLANS

Plan Description

The retirement plans, City of Chatsworth and Water Works Commission Retirement Plan (the Plan), provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Plan is affiliated with Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City and Commission are commingled with contributions made by other members of GMEBS for investment purposes. The City and Commission do not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by calling (404) 688-0472 or writing to:

Georgia Municipal Association
Risk Management and Employee Benefit Services
201 Pryor Street, SW
Atlanta, Georgia 30303

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by Commissioners, the Plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All employees, who work twenty hours or more per week, are eligible to participate after one year. Benefits start vesting after five years of service and are fully vested after ten. However, as of April 1, 2010 and for thirty days thereafter, the City and Commission allowed employees with less than ten years of service to opt out of the defined benefit plan and enroll in a new defined contribution pension plan. Subsequently, as of April 30, 2010, the defined benefit plan was closed to new membership, and all new employees of the City and Commission are automatically enrolled in the new defined contribution pension plan.

At July 1, 2011, the date of the most recent actuarial valuation, there were 106 participants in the Plan consisting of the following:

	City	Water Works
Retirees and beneficiaries currently receiving benefits	13	9
Terminated vested participants	11	6
Active employees	41	26
Total	65	41

NOTE 8 – RETIREMENT PLANS (Continued)

Funding Policy

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution described below. For 2011, the actuarially determined employer contribution rate of covered payroll was 6.88% for the City and 8.97% for the Commission. Participating employees are not required to make contributions to the cost of the Plan.

For the year ended December 31, 2011, the recommended and actual contributions were $127,336 and $125,653 of City and Commission, respectively. The recommended contribution was determined as part of the July 1, 2010 actuarial valuation using the projected unit credit actuarial cost method. Actuarial assumptions include a 7.75% rate of return on investments and projected salary increases of 3.5% plus age and service base merit increases. The period for amortizing the remaining unfunded actuarial accrued liability is 10 years as a level dollar amount. This amortization period is closed for this plan year. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten year period.

Annual Pension Cost

The City and Commission's annual pension cost and net pension obligation for the pension plan and related assumption for the Plan year ended December 31, 2011 are as follows:

Basis of Valuation	
Current Valuation Date	July 1, 2011
Annual Return on Invested Plan Assets	7.75%
Projected Annual Salary Increases	3.5%
Expected Annual Inflation	3.5%
Actuarial Value of Assets	10 years smoothed
Actuarial Funding Method	Projected Unit Credit
Amortization Method	Level Dollar (closed)
Remaining amortization Period	10

NOTE 8 – RETIREMENT PLANS (Continued)

Historical trend information for the City and Commission, to the extent available, is presented as follows:

Trend Information
City of Chatsworth, Georgia

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/06	$ 75,574	$ 75,574	100%	-
12/31/07	98,126	98,126	100%	-
12/31/08	105,996	105,996	100%	-
12/31/09	154,678	154,678	100%	-
12/31/10	154,678	154,678	100%	-
12/31/11	127,336	127,336	100%	-

Trend Information
Water Works Commission

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/06	$ 71,119	$ 71,119	100%	$ -
12/31/07	74,806	74,806	100%	-
12/31/08	84,890	84,890	100%	-
12/31/09	117,003	117,003	100%	-
12/31/10	144,972	144,972	100%	-
12/31/11	125,653	125,653	100%	-

The following is a schedule of funding progress, using the actuarial cost method:

Unit	Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as A Percentage of Covered Payroll
City of Chatsworth	7/1/11	$ 1,809,306	$ 2,121,708	$ 312,402	85.28%	$ 1,728,732	18.07%
Water Works Commission	7/1/11	1,624,881	1,915,909	291,028	84.81%	1,114,733	26.11%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates being made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2011.

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

NOTE 9 – LONG TERM DEBT

Water Work Commission

Long-term debt activity for the year ended December 31, 2011 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	$ 1,130,000	$ -	$ (805,000)	$ 325,000	$ 75,000
Notes payable	9,077,486	275,000	(1,394,807)	7,957,679	822,458
Compensated absences	55,220	76,345	(74,715)	56,850	56,850
Total long-term liabilities	$ 10,262,706	$ 351,345	$ (2,274,522)	$ 8,339,529	$ 954,308

Revenue Bonds

In 2003 the Commission issued a Revenue Refunding Series Bond to refund the 1993 Bonds outstanding as well as to refinance the outstanding GEFA loans. The original amount of the bonds was for $6,735,000 with an interest rate of 3.43% and maturing in 2015.

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal year ending December 31,			
2012	75,000	9,861	84,861
2013	80,000	7,203	87,203
2014	85,000	4,373	89,373
2015	85,000	1,476	86,476
Total	$ 325,000	$ 22,913	$ 347,913

Notes Payable

The Commission has also incurred debt to the Georgia Environmental Facilities Authority (GEFA) for construction of various water and sewer system projects. The notes payable to GEFA, including their original balances, are as follows at December 31, 2011:

Interest Rate	Term	Due Date	Original Balance
4.45%	20 years	2023	$ 2,698,524
4.03%	20 years	2029	4,464,702
4.27%	20 years	2030	901,686
			$ 8,064,912

NOTE 9 – LONG TERM DEBT (Continued)

The Commission's debt service requirements to maturity on notes payable to GEFA are as follows:

	Principal	Interest	Total
Fiscal year ending December 31,			
2012	$ 321,149	277,551	598,700
2013	335,035	263,665	598,700
2014	349,364	249,336	598,700
2015	364,356	234,344	598,700
2015	379,940	218,760	598,700
2017-2021	2,159,104	834,396	2,993,500
2022-2026	2,006,327	368,610	2,374,937
2027-2030	862,107	44,995	907,102
	$ 6,777,382	$ 2,491,657	$ 9,269,039

In 2009, the Commission incurred debt to the City of Chatsworth, Georgia to repay some of the Commission's outstanding GEFA loans. These notes payable, including their original balances, are as follows at December 31, 2011:

Interest Rate	Term	Due Date	Original Balance
3.00%	6 years	2015	$ 1,500,000

In 2011, the Commission incurred debt to the City of Chatsworth, Georgia to repay one of the Commission's outstanding GEFA loans. This note payable, including the original balance, is as follows at December 31, 2011:

Interest Rate	Term	Due Date	Original Balance
1.50%	1 year	2012	$ 275,000

The Commission's debt service requirements to maturity on notes payable to the City of Chatsworth, Georgia are as follows:

	Principal	Interest	Total
Fiscal year ending December 31,			
2012	$ 501,309	$ 25,040	$ 526,349
2013	256,625	16,861	273,486
2014	264,431	9,055	273,486
2015	157,932	1,583	159,515
	$ 1,180,297	$ 52,539	$ 1,232,836

The City has used the resources of the general fund in prior year to liquidate the balance of the compensated absences, and the Water Works fund resources are used to liquidate their portion.

NOTE 10 – DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

The City and Commission's Profit Sharing Plan is a single employer defined contribution plan established and administered by MetLife for all City and Commission employees. The City and Commission automatically contribute 3% of an eligible employee's salary. Additionally, the City and Commission match 100% for each dollar of employee contributions up to 3% of the employee's salary. Employees are not required to contribute to the plan. Employees are eligible after one year of employment and are fully vested after five years. Plan provisions and contributions requirements are established and may be amended by the Board of Commissioners.

For the year ending December 31, 2011, number of plan members and the employer contributions are as follow:

	Number of Plan Members	Employer Contributions
City	1	$ 435
Commission	8	21,754

The City and Commission have a deferred compensation plan (the plan) for its employees under Internal Revenue Code section 457. The plan allows any full time employee to voluntarily defer receipt of up to 25 percent of their gross compensation, not to exceed the maximum annual contribution established by the Internal Revenue Service. The City and Commission do not contribute to the plan. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are solely the property and rights of the participants in the deferred compensation plan. The MetLife plan is the current plan offered to new employees; while the Nationwide plan is the original plan with no new participants entering.

For the year ending December 31, 2011, employee contributions are as follow:

	Nationwide	MetLife
City	$ 31,964	$ -0-
Commission	7,035	19,338

The City and Commission's deferred compensation plan do not meet the criteria in NGCA statement 1, Governmental Accounting and Financial Reporting Principles, paragraph 26(3)(8), for inclusion in the financial statements of the City.

NOTE 11 – CAPITALIZATION OF INTEREST COSTS

During construction periods, interest costs related to construction loans are capitalized.

NOTE 12 – NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

No transactions occurred involving investing, capital and financing activities that affect recognized assets or liabilities but do not result in cash receipts or payments during the year.

NOTE 13 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011 the City did not engage in any related party transactions with immediate family members of the Commissioners.

NOTE 14 – RISK MANAGEMENT

City

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together in prior years with other municipalities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's 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 claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost 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 three prior years have not exceeded the coverages.

In 2010, the City's coverage for workers' compensation was changed to a private insurance company with limits of coverage set at $1,000,000.

The City also carries insurance for all other risks of loss, including general liability and errors and omission coverage through a private insurance company. The City carries commercial insurance for risks of loss related to property, general liability, equipment, automobiles and crime to cover torts, theft of and damage to assets, injuries, errors and omissions, and natural disaster. Significant losses are covered by the commercial insurance underlying these programs. Deductibles are generally set at $1,000.

There have been no significant reductions of insurance coverage from coverage in the prior year, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 14 – RISK MANAGEMENT (Continued)

Water Works Commission

The Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has joined together with other municipalities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the Commission is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's 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 claim of loss. The Commission is also to allow the pool's agents and attorneys to represent the Commission in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Commission within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost 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 the coverages.

The Commission also carries insurance for all other risks of loss, including general liability and errors and omission coverage through a private insurance company. The Commission carries commercial insurance for risks of loss related to property, general liability, equipment, automobiles and crime to cover torts, theft of and damage to assets, injuries, errors and omissions, and natural disaster. Significant losses are covered by the commercial insurance underlying these programs.

There have been no significant reductions of insurance coverage from coverage in the prior year, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 15 - SEGMENT INFORMATION

The City of Chatsworth Water Works Commission issues revenue bonds to support construction of and improvements to the water and sewer systems. The Water and Sewer Fund financial statements are presented as the only proprietary fund of the City. Services provided by the fund are described in Note 1.

NOTE 16 – RESTRICTED ASSETS

Certain proceeds of the revenue bonds and GEFA loans, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable covenants.

NOTE 17 – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties is a member of the Northwest Georgia Regional Commission (NWGRC) and is required to pay annual dues thereto.

During its year ended December 31, 2011, the City paid $4,038 in such dues. Membership in NWGRC is required by the Official Code of Georgia Annotated (O.C.G.A.) Section 50-8-34 which provides for the organizational structure of the NWGRC in Georgia. The NWGRC Board membership includes the chief elected official of each municipality of the area. O.C.G.A. 50-8-39.1 provides that the member governments are liable for any debts or obligations of NWGRC. There were no related party transactions during the year. Separate financial statements may be obtained from:

Northwest Georgia Regional Commission
P.O. Box 1798
Rome, Georgia 30720

The Commission is a member of the Northwest Georgia Regional Water Resources Partnership. This is an organization of water withdrawal permit holders, local governments, and other advocacy entities with an interest in water issues. The purpose of the Water Resources Partnership is a regional organization of water related interests in Northwest Georgia for monitoring and contributing to the development of federal, state, and local policy; educating the citizenry on water related issues; funding and managing regional water-related activities, and coordinating the activities of federal, state and local entities. Separate financial statements may be obtained from:

Northwest Georgia Regional Water Resources Partnership
P. O. Box 1793
Rome, Georgia 30162-1793

NOTE 18 – CONTINGENT LIABILITIES

The City is subject to legal actions in the ordinary course of business. In the opinion of management and legal counsel, the City has adequate legal defenses and insurance coverage with respect to such actions and the liability, if any, which might result from these proceedings, would not have a material adverse effect on the financial position of the City.

NOTE 19 – EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHATSWRTH, GEORGIA
Schedule of Funding Progress for Retirement Plans
Year Ended December 31, 2011

Funded Status

The tables below sets forth required supplementary information to be disclosed in the schedule of funding progress. The items presented are based on the actuarial valuation date:

City of Chatsworth
Schedule of Funding Progress for Retirement Plan

Actuarial Valuation Date	Acturial Value of Assets (a)	Actuarial Accrued Liabililty (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payoll [(b - a) / c]
07/01/11	$ 1,809,306	$ 2,121,708	$ 312,402	85.28%	$ 1,728,732	18.07%
07/01/10	1,602,138	1,966,113	363,975	81.49%	1,760,194	20.68%
05/01/09	1,112,498	1,762,389	649,891	63.12%	1,722,321	37.73%
05/01/08	1,412,818	1,626,639	213,821	86.86%	1,690,004	12.65%
05/01/07	1,265,877	1,405,973	140,096	90.04%	1,590,938	8.81%
05/01/06	1,132,090	1,206,851	74,761	93.81%	1,339,115	5.58%

City of Chatsworth Water Works Commission
Schedule of Funding Progress for Retirement Plan

Actuarial Valuation Date	Acturial Value of Assets (a)	Actuarial Accrued Liabililty (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payoll [(b - a) / c]
07/01/11	$ 1,624,881	$ 1,915,909	$ 291,028	84.81%	$ 1,114,733	26.11%
07/01/10	1,440,003	1,790,885	350,882	80.41%	1,376,731	25.49%
05/01/09	1,013,072	1,622,380	609,308	62.44%	1,413,715	43.10%
05/01/08	1,291,530	1,478,235	186,705	87.37%	1,416,509	13.18%
05/01/07	1,161,807	1,313,913	152,106	88.42%	1,193,417	12.75%
05/01/06	1,035,160	1,150,119	114,959	90.00%	935,742	12.29%

Effect of plan changes on actuarial accrued liability

The plan changes have decreased the rate of growth of the accrued liability

Effect of plan changes on recommended contributions

The plan provisions valued and the actuarial assumptions and cost methods are changed and have reduced the recommended contribution for the City from $154,678 to $126,901.

OTHER SUPPLEMENTARY INFORMATION

CITY OF CHATSWORTH, GEORGIA
Schedule of Property Taxes Receivable
General Fund
December 31, 2011

Year of Levy	
2011	$ 98,629
2010	12,550
2009	6,831
2008	3,592
2007	139
2006	66
Total property taxes receivable	121,807
Less: allowance for uncollectibles	(1,363)
Net property taxes receivable	$ 120,444

CITY OF CHATSWORTH, GEORGIA
Schedule of Changes in Property Taxes Receivable
General Fund
December 31, 2011

	Taxes Receivable December 31, 2010	Taxes Levied	Pickups and (Releases)	Collections	Taxes Receivable December 31, 2011
2011	$ -	$ 736,627	$ (1,309)	$ (636,689)	$ 98,629
2010	133,175	-	(4,464)	(116,161)	12,550
2009	9,744	-	295	(3,208)	6,831
2008	4,814	-	326	(1,548)	3,592
2007	139	-	247	(247)	139
2006	66	-	174	(174)	66
2005	-	-	477	(477)	-
2004	-	-	-	-	-
2003	-	-	294	(294)	-
2002	-	-	509	(509)	-
Total	$ 147,938	$ 736,627	$ (3,451)	$ (759,307)	$ 121,807

STATISTICAL INFORMATION

CITY OF CHATSWORTH, GEORGIA
Statistical Information
December 31, 2011

I. SCHEDULE OF TAX RATES AND ASSESSMENTS

Tax Year	City Tax Rate	Assessment	Levy
2011	0.2342%	$ 314,529,098	$ 736,627
2010	0.2342%	343,099,471	803,539
2009	0.2342%	403,028,618	943,893
2008	0.2342%	415,229,760	972,468
2007	0.2342%	411,075,631	962,739
2006	0.2350%	414,666,411	974,466

II. BILLING RATES

The water and sewer rates for the City of Chatsworth for the year ended December 31, 2011 were:

Water Rates

Meter Size	Minimum Usage (Gallons)	Minimum Monthly Bill
< 5/8"	0 - 2,500	$10.00 minimum
"	> 2500	$2.90 minimum per 1,000 gal.
1"	0 - 4,000	$22.00 minimum
Above 1" up to 2"	0 - 5,000	$35.00 minimum
2"	0 - 6,000	$42.00 minimum
3"	0 - 9,000	$62.00 minimum
4"	0 - 10,000	$84.00 minimum
6"	0 - 20,000	$124.00 minimum
8"	0 - 25,000	$160.00 minimum

Sewer Rates

Meter Size	Minimum Usage (Gallons)	Minimum Monthly Bill
Gallons	0 - 2,500	$10.00 minimum
Gallons	All over 2500	$3.10 per 1,000 gal.

Water and sewer rates outside the City are 150% of City rates.

As of December 31, 2011, the City had 11,381 water customers and 2,318 sewer customers.

INTERNAL CONTROL AND COMPLIANCE SECTION

BRC

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Certified Public Accountant

B. RODNEY CROWE, CPA,CFP

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Georgia and Tennessee Societies
of Certified Public Accountants

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*

Mayor and Council Members
City of Chatsworth, Georgia
Chatsworth, Georgia

We have audited the accompanying financial statements of the governmental activities business-type, and each major fund activities of the City of Chatsworth, Georgia, as of and for the year ended December 31, 2011 and have issued our report thereon dated June 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

The auditor for Water Works Commission has noted certain matters that were reported to management of the Commission in a separate letter dated March 29, 2012.

We noted certain matters that we reported to management of City of Chatsworth, Georgia in a separate letter dated June 21, 2012.

This report is intended solely for the information and use of management, Board members, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.

B. Rodney Crowe, CPA
June 21, 2012

CITY OF CHATSWORTH, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2011

SUMMARY OF AUDIT RESULTS

Opinion:

Unqualified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Deficiencies:

One significant deficiency was disclosed which were also considered material weaknesses.

Material Noncompliance:

No instances of noncompliance or other matters were disclosed.

FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS*

INTERNAL CONTROL DEFICIENCY:

Finding 11-1 - Accounting expertise

Criteria:

SAS 115 states in part that the lack of accounting personnel with sufficient "training" to properly design controls over the year-end financial reporting process, including the actual "preparation of financial statements" is a "significant deficiency" and a strong indication of a "material weakness".

Condition Found:

The City did not have accounting personnel on staff that had sufficient training to prepare their own financial report.

Recommendation:

The City should consider the risk benefits of continuing to allow the outside auditors to prepare the financial report versus having an internal auditor/CPA to perform the year-end financial reporting process.

Management's Response:

We concur. However, even though we are ware that we cannot theoretically rely on our outside CPA as a part of our system, we feel that this is still a very important and very reliable way to safeguard our assets and report the transactions of our City to our citizens. We are taking responsibility for the preparation and fair presentation of the financial statements, and we possess suitable skill, knowledge and/or experience to evaluate the adequacy of any services in this area provided by the auditor.

FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS* (Continued)

INTERNAL CONTROL DEFICIENCY: (Continued)

Finding 11-2 - Segregation of duties

Criteria:
Adequate segregation of duties does not exist in the Police Department.

Condition Found:
Upon review of the fines and probation collection process, the following conditions were found:

1. The employee who collects these fees also monitors and reports on probation activities.
2. Fines and probation fees collected are not reconciled to the system reports.

Recommendation:

1. Collection of fines and probation fees should be performed by an employee who does not have access to enter and update changes in probation status.
2. Fines and probation fees collected should be reconciled to the system reports monthly.

Management's Response:
We concur. The City council takes the recommendation under advisement and will formulate an action plan during the next several council meetings.

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None reported

SPECIAL LOCAL OPTION SALES TAX

BRC

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Certified Public Accountants
Georgia and Tennessee Societies
of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

Independent Auditor's Report

Honorable Mayor and Council members
City of Chatsworth, Georgia
Chatsworth, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Chatsworth, Georgia for the year ended December 31, 2011. This schedule is the responsibility of the City of Chatsworth, Georgia's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax 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 Schedule of Special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting as described in Note A and is not intended to be a complete presentation of the City of Chatsworth, Georgia's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above present fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in the City of Chatsworth, Georgia's resolution or ordinance calling for the tax for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

B R Crowe CPA

B. Rodney Crowe, CPA
June 21, 2012

CITY OF CHATSWORTH, GEORGIA
Schedule of Projects Constructed with Special Purpose
Local Option Sales Tax – 2007 Cycle
Year Ended December 31, 2011

Project #	Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Percent of Completion
				Prior Years	Current Year	Total	
1	Repair and Expand Sewer Services	3,000,000	3,000,000	1,761,179	420,953	2,182,132	73%
		3,000,000	3,000,000	1,761,179	420,953	2,182,132	